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MONDAY SPORTS SUNDAY BASEBALL Page 15

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Currency Traders Expect Germany To Lower Rates Move Would Quell Fears Of Franc Devaluation

By Carl Gewirtz International Herald Tribune PARIS — Currency traders appear to be anticipating a German interest-rate cut, which would be a knockout blow to speculation that the French franc would be devalued against the Deutsche mark. If the Germans fail to deliver that ultimate gesture of solidarity, the battle between central banks and currency speculators is expected to intensify. But even then analysts see France at worst only unable to claim a victory, rather than risking outright defeat. "The worst is behind us," said Erick Muller of Credit Commercial de France. Even if the Germans do not cut rates, he added, "the pressure won't be the same as before." It is clear that France and Germany are "working hand in hand" to prevent a devaluation, he said. EC finance ministers are to meet in Brussels on Monday to discuss the European Community's exchange-rate mechanism following the recent market upheavals and to prepare for the emergency EC summit next month. The franc ended trading on Friday at its best level of the week, at 3.3825 to the mark. It had been as low as 3.4220 but never got near testing its floor of 3.4350, thanks to continuous joint intervention by the Bank of France and the Bundesbank. The voluntary support from the German central bank, intervening when it was not obliged to under the rules of the Community's fixed exchange-rate mechanism, clearly impressed the foreign-exchange market but failed to convince it that the franc was as solid as the mark. By inching the franc's trading level higher, however, the central banks raised the pressure on speculators to abandon their attack. Having sold the franc when it was between 3.42 and 3.41 to the mark, speculators face a loss if they have to close out their positions by repurchasing francs at a higher level. At the same time, they are also running a loss maintaining those positions, since they are paying around 13 percent to borrow francs, which are sold for marks that can be invested to earn slightly more than 8 percent. Nevertheless, it is clear that doubts continue about France's ability to hold the link with the mark while German-imposed interest rates remain so high and French economic growth so sluggish. Evidence of the lingering doubts could be seen in the level of short-term French interest rates. The cost of overnight money ended the week at 14 percent, down from nearly 30 percent early in the week, but still at a high level. What remains to be seen is whether this reduction is the harbinger of an end to the speculation or simply reflected an easing of pressure before the weekend. "The franc has won some respite from the verbal and actual intervention by the Germans," said Paul Chertkow, a London-based analyst for UBS Phillips & Drew. "An intensification of the pressure Monday and Tuesday could be what's needed to tip the debate at the Bundesbank in favor of a rate cut independent of the domestic economic situation," he said. The above-target growth in German money supply, seen as a barometer of future inflation, remains a problem, and the Bundesbank's heavy intervention can only contribute to continued overshooting of targeted growth. The massive intervention, which flooded the currency markets with marks, has already driven down

Warsaw Pact 'Mole' For U.S. Tells Story

By Benjamin Weiser Washington Post Service WASHINGTON — In 1970, a rising Polish Army officer, Colonel Ryszard J. Kuklinski, made a choice that changed his life. Over the next 11 years, he gave the United States access to the innermost military secrets of the Soviet Union and Warsaw Pact, and his story is only now emerging with the end of the Cold War. Frustrated at the time with the Polish system, Colonel Kuklinski surreptitiously contacted the U.S. military in Germany and expressed his belief that some Polish officers so despised their Soviet masters that they were willing to rise up against them in the event of war. Thus began a relationship that turned into one of the most extraordinary and productive intelligence operations ever run by the Central Intelligence Agency, providing unparalleled information about the Soviet Union's contingency plans for a conventional war in Europe. Colonel Kuklinski "virtually defined our knowledge" of a U.S. military specialist said. "In the context of war with NATO by the Warsaw Pact — up to and including nuclear operations and exchanges — I do not know of any single human



Romanian Voters Appear to Force a Runoff for the Presidency Soldiers in Bucharest, lining up Sunday to vote in presidential and parliamentary elections. Ion Iliescu, the former Communist who has been Romania's president since late 1989, outpolled his principal challenger, Emil Constantinescu, but failed to avoid a runoff, projections showed. Page 7.

'Foreigner Problem' Wrenches German Psyche

By Marc Fisher Washington Post Service HINRICHSHAGEN, Germany — A dozen Gypsies stared at the ground as they pressed up against the chain strung across the entrance to the Mini-Markt, the only food shop in this East German village, population 100. A guard snapped at the Gypsies to stand back from the chain and wait their turn. Then he spied two light-skinned people approaching. "Want to come in?" he shouted, taking them for Germans. He opened the chain and ushered them past the waiting Gypsies, who said nothing. Hinrichshagen, the locals say, had no "foreigner problem" until the nearest big city, Rostock, transported 900 asylum-seekers to the old East German army barracks just outside the village, turning the villagers overnight into a minority in their own home. German authorities moved them here from Rostock after riots last month in which neo-Nazi and skinhead youths firebombed foreigners out of their apartments. In cities and villages, East and West, Germans say they are undergoing a social shock — the arrival this year of nearly 300,000 foreign asylum-seekers, poor people whose demands on Germany's budget and housing supply have hit this officially homogeneous society at a moment of unusual political, economic and psychological uncertainty. The wave of anti-foreigner violence that has swept the country — more than 1,000 attacks this year and continuing every night — has left many Germans, the great majority of whom condemn the violence, confused and hurt. They see their country compared in the foreign media to Nazi Germany. They see their own people standing mute



Protesters at the Sachsenhausen Nazi concentration camp, near Berlin, on Sunday, a day after a barracks was damaged by a fire that the police said was probably arson. The fire wiped out an exhibition on the Third Reich oppression of Jews. The sign reads "Germany must now bear not only grief." See GYPSIES, Page 6

Clinton's Strategy: Keep Bush on the Defensive

By Dan Balz and E.J. Dionne Jr. Washington Post Service LITTLE ROCK, Arkansas — A heady confidence has settled over Bill Clinton's campaign headquarters. The confidence flows from an electoral map that offers more possibilities than any Democrat has enjoyed in four elections, a belief among Clinton advisers that President George Bush has made a series of mistakes and the conclusion that even the possible re-entry of Ross Perot into the race might help, not hurt, Mr. Clinton's chances. As a result, the Arkansas governor's advisers have set in motion a strategy designed to sharpen differences with the

strong majorities but is now tilting toward the Democratic nominee. Clinton advisers believe that Mr. Bush has no option but to assault Mr. Clinton in the final five weeks. "They understand that is their only shot to retain power," one senior adviser said. Recognizing the potential danger for Mr. Bush, the adviser said, "There's a risk in coming at us." "The only mistake we make is in not being aggressive," said Mickey Kantor, Mr. Clinton's campaign chairman. James Carville, who directs Mr. Clinton's day-to-day strategy from the "war room" at campaign headquarters, said the possible return of Mr. Perot and increased attacks from Mr. Bush meant

Taking a Swipe at Graffiti

By James Bennet New York Times Service NEW YORK — There is honor — of a kind — among vandals, at least among the ones who tag every flat surface in a city with their nicknames. "It demands, for example, that they steal, or 'rack' the spray paint they use. It demands that they do not touch each other's work unless they want to pick a fight. And it demands that they never, never, never give in, no matter how grown-ups stack the odds against them. But the odds have gotten pretty high. "They're trying to take away hope," said a teen-aged New York City vandal, who signs himself "SERE." In the long, obsessive struggle over graffiti, the vandals — who, except for a few innovators, are armed only with spray paint, magic markers and the time on their hands — are running up against an increasingly sophisticated arsenal of officers wearing night-vision goggles, lab rats concocting

varnishes that paint cannot bond to, buildings designed to resist their attacks, walls baited with whitewash and surveyed by hidden video cameras, and laws that are growing ever more sweeping. The long-sought graffiti neutron bomb — a Teflon-like coating for buildings — remains in the laboratory. For now. "We're still a long way off from having a commercial product," said Catherine Maxey, a spokeswoman for Dow Chemical Co., which has developed a washable varnish that binds graffiti in the lab but has not been tested on weathered surfaces. "We've had, like, city councilmen call and say, 'Can I have some of that? I'd like to put it on my hall.' We're not ready for that yet." In the meantime, cities have tried to strip graffiti writers of their tools by banning sales of spray paint to minors. But since many writers are not minors, and most minors have friends who are majors — and since truly honorable vandals, as

Kiosk Swiss Approve Alps Rail Tunnels

GENEVA (AP) — Swiss voters, in a referendum Sunday, convincingly approved the country's most ambitious tunnel project, which calls for two high-speed rail lines to be built through the Alps. The government said the vote was 63.5 percent to 36.5 percent. Swiss entry into a 19-nation European free trade area on Jan. 1, widely seen as a prelude to membership in the European Community, hinged on approval. In trade area negotiations, the 12-nation EC allowed Switzerland to keep a lower weight limit on trucks than the rest of Europe, a measure that forces heavy rigs to detour through neighboring countries, in return for a promise to build the tunnels. They would be 50 kilometers (31 miles) and 30 kilometers long. General News U.S. says Serbs killed 3,000 in Bosnian camp. Page 7. Decision on a 12-year-old boy's suit to "divorce" his natural mother fuels a debate. Page 5. Crossword Page 6. Weather Page 2.

Shift in Burma Is Discounted

New York Times Service BANGKOK — The Burmese government says it will lift the last of the martial law decrees it imposed in 1989 to crush a nascent democracy movement. Diplomats described the action as primarily cosmetic and unlikely to result in a small improvement in the human-rights situation in the country. The junta has refused to recognize the results of a 1990 election that gave a landslide victory to the National League for Democracy, the party led by Daw Aung San Suu Kyi. Even with the announcement there is no doubt among diplomats that the military intends to continue holding onto power in Burma. The state radio said Saturday that the decree would end the presidential powers of military commanders, and that civilians would no longer be tried by military tribunals. Diplomats said that martial law would be ended in the military districts that include Rangoon and Mandalay. "It may be a cosmetic change, but it's useful cosmetics," an Asian diplomat said of the announcement. "For a civilian accused of a crime, it's almost certainly better to have at least the facade of a civilian trial. The civilian system has at least a little due process built into it." In September 1988, soldiers killed hundreds of democracy demonstrators on the streets of Rangoon, the Burmese capital.

Europeans Favor EC but Want to Vote On the Treaty

Poll Shows Discontent Over Bureaucracy and Lack of Communication By Barry James International Herald Tribune PARIS — More than four out of five Europeans want a referendum on European political and economic union such as the one the French had last week, according to a poll conducted for the International Herald Tribune and Cable News Network. Generally, the poll shows widespread approval of the way Europe is growing together, but it also reflects the undercurrent of dissatisfaction with the way the Maastricht treaty was imposed from above in Western Europe and the lack of care with the way European affairs are explained to the people. The poll also indicates that, overall, 6 out of 10 Europeans would vote in favor of the Maastricht treaty, despite widespread dissatisfaction with the European Community's Brussels-based executive, the EC Commission, which 8 out of 10 people said was too remote and bureaucratic. Seven out of 10 said they wanted Europe to have a single currency, and almost 6 out of 10 said the EC should determine economic policy for all members. The poll indicated that, in general, people were satisfied with the EC — 77 percent expressed approval — but were worried about certain aspects, such as a possible increase in crime and immigration-related racism with the advent of a border-free single market on Jan. 1. Those polled said that the EC would help bring improvements in the environment and education, with three-quarters saying the Community can solve pan-European environmental problems better than member governments. They also said that member countries acted in a selfish manner rather than in the interests of the Community, and one-third identified Germany as the country they thought had benefited most from EC membership. Of the 1,073 adults questioned in the cross-European survey by Continental Research of London, following the French vote, 81 percent said they also would like to have a referendum on the Maastricht treaty. But if there were such referendums, only 41 percent of those polled in the northern countries — Britain, Denmark and Ireland — said they would vote "yes." Seventy-seven percent in the Benelux nations of Belgium, Netherlands and Luxembourg said they would vote "yes," as did 65 percent in the southern countries of Portugal, Spain, Italy and Greece, and 64 percent in Germany. The Maastricht agreement calls for ratification by all 12 member nations, either by referendum or by parliamentary majority. France narrowly approved the treaty last week, Denmark narrowly rejected it in a referendum in June and the Irish accepted it by a wide majority. The level of satisfaction in the Community, the poll reveals, is higher in the southern countries than in the northern, higher among the six original members than among those that joined later, higher among younger than older people, and higher among white-collar workers than blue-collar workers. Asked why they thought problems had arisen in the European exchange rate mechanism after several years of successful operation, nearly three-quarters of the survey group said that EC members were acting in their own interests instead of considering the interests of others. This answer was particularly prevalent in the northern group of countries — Britain, Denmark and Ireland — where 87 percent of those questioned attributed the foreign exchange crisis to selfishness. They were not asked which countries they considered were acting selfishly. Asked to say which country had benefited most from EC membership, 29 percent, the largest number, said Germany. Although popular acceptance of the Maastricht treaty was as uneven, more than two-thirds of those questioned said they thought that now that the French public had ratified the agreement, the other EC members also would support it. Only a quarter of those questioned — 14 percent in the southern countries — thought their governments had done an adequate job of explaining the treaty. With the Community currently seeking a way of overcoming Denmark's rejection, 58 percent of those polled said the Community should press ahead toward further integration without the Danes, if necessary. Just over half said the Community was capable of further economic

Reset by ill health and unpopularity, François Mitterrand is under pressure to step down as France's president. Page 2.

based executive, the EC Commission, which 8 out of 10 people said was too remote and bureaucratic. Seven out of 10 said they wanted Europe to have a single currency, and almost 6 out of 10 said the EC should determine economic policy for all members. The poll indicated that, in general, people were satisfied with the EC — 77 percent expressed approval — but were worried about certain aspects, such as a possible increase in crime and immigration-related racism with the advent of a border-free single market on Jan. 1. Those polled said that the EC would help bring improvements in the environment and education, with three-quarters saying the Community can solve pan-European environmental problems better than member governments. They also said that member countries acted in a selfish manner rather than in the interests of the Community, and one-third identified Germany as the country they thought had benefited most from EC membership. Of the 1,073 adults questioned in the cross-European survey by Continental Research of London, following the French vote, 81 percent said they also would like to have a referendum on the Maastricht treaty. But if there were such referendums, only 41 percent of those polled in the northern countries — Britain, Denmark and Ireland — said they would vote "yes." Seventy-seven percent in the Benelux nations of Belgium, Netherlands and Luxembourg said they would vote "yes," as did 65 percent in the southern countries of Portugal, Spain, Italy and Greece, and 64 percent in Germany. The Maastricht agreement calls for ratification by all 12 member nations, either by referendum or by parliamentary majority. France narrowly approved the treaty last week, Denmark narrowly rejected it in a referendum in June and the Irish accepted it by a wide majority. The level of satisfaction in the Community, the poll reveals, is higher in the southern countries than in the northern, higher among the six original members than among those that joined later, higher among younger than older people, and higher among white-collar workers than blue-collar workers. Asked why they thought problems had arisen in the European exchange rate mechanism after several years of successful operation, nearly three-quarters of the survey group said that EC members were acting in their own interests instead of considering the interests of others. This answer was particularly prevalent in the northern group of countries — Britain, Denmark and Ireland — where 87 percent of those questioned attributed the foreign exchange crisis to selfishness. They were not asked which countries they considered were acting selfishly. Asked to say which country had benefited most from EC membership, 29 percent, the largest number, said Germany. Although popular acceptance of the Maastricht treaty was as uneven, more than two-thirds of those questioned said they thought that now that the French public had ratified the agreement, the other EC members also would support it. Only a quarter of those questioned — 14 percent in the southern countries — thought their governments had done an adequate job of explaining the treaty. With the Community currently seeking a way of overcoming Denmark's rejection, 58 percent of those polled said the Community should press ahead toward further integration without the Danes, if necessary. Just over half said the Community was capable of further economic

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See POLL, Page 6

CAMPAIGN '92 / THE PEROT FACTOR, AGAIN

★ ELECTION NOTES ★

For Clinton, There's No Dodging the Issue

WASHINGTON — Responding to news reports that Republicans had lobbied the head of the Selective Service in Arkansas to cancel his draft notice in 1969, Bill Clinton said he broke no rules and did "what my local draft board told me the procedures were" for getting into another military program.

The Los Angeles Times reported that two Republicans said they helped arrange a meeting between Mr. Clinton and Colonel Willard A. Hawkins, the state Selective Service director, in the summer of 1969 as part of a campaign to have Mr. Clinton's induction notice canceled.

Mr. Clinton escaped induction by joining an Army Reserve Officers' Training Corps program at the University of Arkansas that summer, but then returned to study at Oxford University in England, where he was a Rhodes scholar. He never enrolled at the University of Arkansas.

Mr. Clinton said he could not recall whether he wrote to or met with Colonel Hawkins, who is dead, but said there was nothing unusual about his actions. "I was actively working to find an alternative to induction, another service alternative, just like I said all along," Mr. Clinton told reporters. "And I found out about the ROTC thing. They were eager to have me there and they told me this was just routine."

The Times story, citing an associate of Colonel Hawkins, said it was common for the state director to cancel draft notices if a young man had found military service of some other kind. The Times story quoted Cliff Jackson, a Clinton friend at the time who has since become a political opponent, and Van Bush, the executive secretary of the Arkansas Republican Party at the time, as saying they led a Republican lobbying effort aimed at Colonel Hawkins.

Mr. Clinton has said he received no special treatment to avoid the draft. He refused to respond to Mr. Jackson's assertion that he had sought Republican help in the summer of 1969. "I have no recollection about these things that he all of a sudden remembers in the 11th hour before an election," he said. (WFP)

And It's More of the Same for Bush

WASHINGTON — A former White House aide said that he and Oliver L. North, who managed the Reagan administration's Iran-contra operations, told George Bush in July 1986 about the "operational details" of the covert arms-for-hostages deals with Iran.

Howard R. Teicher, then a Middle East expert on the staff of the National Security Council, said this was one of three meetings he attended between April and July of 1986 at which Mr. Bush, then the vice president, was told about secret dealings with Iran. Mr. Teicher said the arms shipments were specifically discussed at two of those meetings.

Mr. Teicher's statements, in an interview, contradict Mr. Bush's assertions that while he knew generally about arms sales to Iran, he did not know until December 1986 of a direct connection between the shipments and the release of U.S. hostages then being held in Lebanon by pro-Iranian terrorists.

Writing in his campaign biography, "Looking Forward," in May 1987, Mr. Bush said that he had "been deliberately excluded from key meetings involving details of the Iran operation," the sale of arms for hostages in 1985 and 1986.

He said that he only knew that "there had been a weapons sale, and that in some way the hostage issue had become part of the project." And he added that not until December 1986, when he was briefed on the exploding scandal by David F. Durenberger, Republican of Minnesota, then chairman of the Senate intelligence committee, did he get "any real chance to see the picture as a whole."

Mr. Teicher's recollections portray Mr. Bush as taking a greater interest in the program than the president has acknowledged, meeting with an Israeli official who discussed with Mr. Bush the need for the White House to send additional arms to Iran.

Whether Mr. Bush said the full truth about his role in the Iran-contra scandal has become an issue in his bid for re-election. Officials in his campaign have sought to discount the issue, saying much of the American public is no longer interested and noting it did not prevent his election in 1988 when the scandal was a more prominent concern. (WFP)

President Dumps a Cabinet Official

BOWLING GREEN, Ohio — Under mounting pressure from dissatisfied veterans groups, President George Bush has removed Edward J. Derwinsky from his post as secretary of veterans affairs, a cabinet position, and given him a largely ceremonial role in his re-election campaign.

Because Mr. Bush prizes loyalty and is slow to remove faithful supporters from political positions, dismissing a member of his cabinet under pressure this late in the campaign seemed a clear signal that anxiety was mounting in his organization.

Veterans groups have complained about Mr. Derwinsky's management of the veterans' hospital system. Gulf War veterans say the Bush administration has been unresponsive to their needs. (NYT)

Quote-Unquote:

President George Bush: "I do not want a tax system that just benefits the rich. I want a tax system that helps all working people get rich. And that is the American way." (NYT)

Governor Bill Clinton: "If and when Bush does actually debate me, he'll find that he's facing a different challenger, a different kind of Democrat who understands that the great issue of this election and our time is how we can help America in a global economy to build a society where the power of government is used to help people and to help the private sector create jobs and increase incomes, to solve problems like the health care crisis instead of just talk about them, and to do it in ways that promote more innovation and less bureaucracy, and finally to educate and empower people to take responsibility for their own lives and their family's futures." (NYT)

Away From the Hustings

George C. Wallace was in critical condition in a Montgomery, Alabama, hospital with a blood infection, which doctors labeled "septic shock." The heart of the 73-year-old former Alabama governor failed and he had to be revived.

An important section of New Jersey's hate crimes law is unconstitutional on free-speech grounds, a state Superior Court judge declared in New Brunswick. The ruling on the two-year-old law makes New Jersey the latest government to run into legal trouble because of efforts to construe hate speech as a form of illegal conduct.

A California measure to protect homosexuals against job discrimination was signed by the Republican governor, Pete Wilson, a year after he vetoed a similar bill. The law takes effect as other prominent Republicans are casting homosexuals as enemies of traditional family values.

New York will begin selling 730 cooperative apartments next month to the working poor in the most ambitious effort by a city using U.S. government money earmarked for permanent housing. The effort by the city housing authority puts New York ahead of others around the country that have applied for the funds, U.S. officials said.

An Apache Indian boy was suspended from kindergarten by the school district in Mesquite, Texas, because he wears his hair in a braid in the traditional American Indian style.

Detroit school teachers voted to return to work Monday after reaching a tentative accord. A four-week strike had kept 168,000 students out of class.

The Biblical Archaeology Society has filed a lawsuit in Israel to end a ban on worldwide sales of its book version of the Dead Sea Scrolls. The book was banned after an Israeli scholar claimed that he had the copyright to 120 lines in the book's introduction.

Jack Kevorkian, the inventor of a suicide machine, helped a 52-year-old woman with incurable cancer kill herself. Mr. Kevorkian's lawyer, Geoffrey Fieger, said at a news conference in Southfield, Michigan. (AP, NYT, UPI, AFP)

Magic Johnson for Clinton

The Associated Press

WASHINGTON — Earvin (Magic) Johnson, who retired from regular National Basketball Association competition last fall after revealing that he had contracted the virus that causes AIDS, has endorsed Bill Clinton, the Democratic presidential candidate, and has implored blacks to vote in November's election.

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If Perot Re-enters, Look for a Spoiler But Not a Contender

By Thomas B. Edsall and Mark Stencel
Washington Post Service

WASHINGTON — The entry of Ross Perot into the presidential race would hurt Bill Clinton more than George Bush, but the Arkansas governor would retain his strong lead in the contest for the White House, according to a study of state-by-state surveys.

Six months ago, when Mr. Perot began publicly exploring an independent bid for the presidency, he rejected the role of marginal candidate.

"I have no interest in being disruptive," he said on March 26.

Now, as the Texas entrepreneur moves toward a possible entry into the contest, perhaps on Monday, the evidence suggests that his role is far more likely to be that of a spoiler than serious contender. The most likely outcome would be to reduce the victor's winning margin as opposed to either winning or shifting the balance between Mr. Clinton and President Bush.

[Asked Sunday when Mr. Perot would decide what to do, Orson Swindle, executive director of Mr. Perot's United We Stand America organization, said in a television interview: "I think, contrary to the L.A. Times article a couple of days ago, you won't hear it on 'Larry King Live' Monday night."

[The Los Angeles Times reported that Mr. Perot would use the occasion of an appearance on Mr. King's CNN television program to declare that he was back in the race.

[Mr. Swindle said he did not know when Mr. Perot would make a definitive decision.]

If Mr. Perot does enter the race, Mr. Clinton has more to lose than Mr. Bush. A check of recent surveys in 17 states where voters were asked their choice both with and without Mr. Perot in the contest, the Texas takes away more votes from Mr. Clinton than from Mr. Bush in more than half the states.

These state surveys, published this month in *Hollis*, a daily political newsletter, show that Mr. Perot's entry would hurt Mr. Clinton in nine states, with the largest percentage-point losses for the Democratic nominee in New Jersey and Colorado.

Mr. Perot would make no difference in five, including Georgia, Illinois and Vermont. He would cut more into Mr. Bush's support than Mr. Clinton's in three states.

In none of the states — except Texas — do the polls show Mr. Perot changing the outcome, although his entry would make a number more competitive. He would shift Colorado, a Clinton-leaning state, and Mississippi and Virginia, both Bush-leaning states, to virtual toss-ups.

In almost all states, Mr. Perot's level of support is in the 11 to 14 percent range, far below the highs of late June.

For a brief period last summer, Mr. Perot actually led in national surveys, outstripping Mr. Bush and Mr. Clinton. In a process that began in the weeks before July 16, when Mr. Perot announced in Dallas that he would not run for the presidency, voter interest in his bid has declined sharply.

At the moment, he appears to be

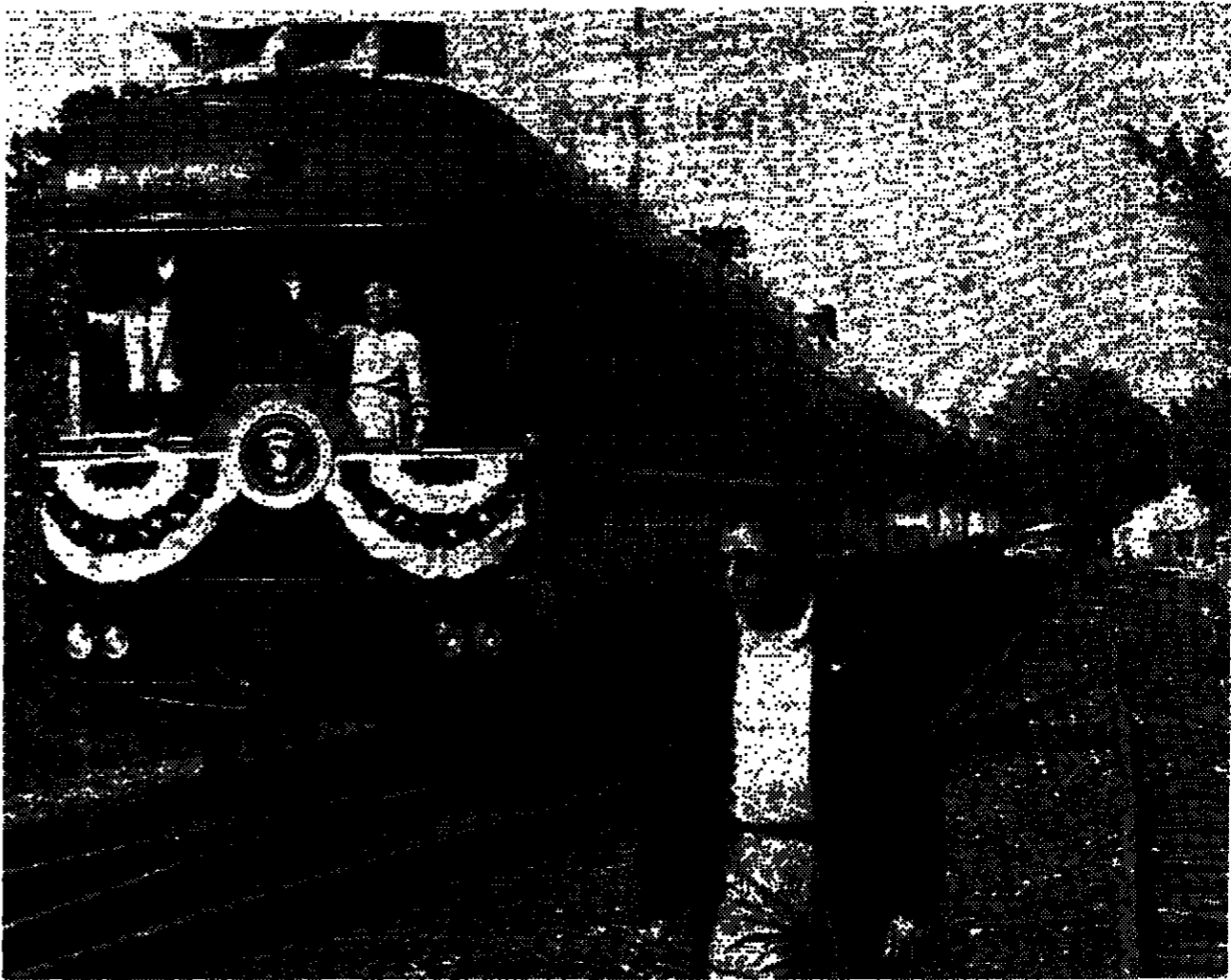
a serious competitor to win a plurality — not a majority — only in his home state of Texas.

A Dallas Morning News poll published Sept. 6, found that without Mr. Perot, Mr. Clinton held a modest 42 to 40 percent lead over Mr. Bush. With Mr. Perot in the mix, Mr. Bush and Mr. Perot both received the support of 30 percent of those surveyed, and Mr. Clinton fell to 29 percent.

Saving Face, Rollins Says
Ed Rollins, who worked as a political strategist for Mr. Perot for 45 days before quitting, said in a televised interview Sunday in Washington that Mr. Perot probably would re-enter the presidential race to salvage his image.

"I don't think he wants his obituary to be that he was a quitter," Mr. Rollins said.

He said a Perot entry could mean that Mr. Clinton would join Mr. Perot in a televised debate. And he estimated that, with Mr. Perot in the race, Mr. Clinton may be hurt initially in national poll standings but that Mr. Bush will ultimately be hurt on the state-by-state tally that is the key to an Electoral College victory. (IBT)



A Secret Service agent keeping an eye on the crowd as a train carrying Mr. and Mrs. Bush left a campaign stop in Marysville, Ohio.

Bush Whistle-Stops His Way Through the Midwest

By Ann Devroy
Washington Post Service

GRAND BLANC, Michigan — Peering from the platform as his campaign train rolled through the nation's midsection Sunday, President George Bush said, "You know, the trouble with this work is, you can't see far enough down the road."

Mr. Bush was talking about the work of spotting the people, gathered in twos and threes, sometimes more, along his 235-mile (380-kilometer) train journey the previous two days.

But he could have been talking about his presidency and his failure in the last two years to see clearly how fearful the nation had become about its economic future and how much he would be blamed for that.

Trying to make up the lost time in these final weeks before the Nov. 3 election, Mr. Bush is campaigning on this trip not only against Bill Clinton but also against what Governor John Engler of Michigan called "the polls, the pundits, the prognosticators," which are beginning to say that for Mr. Bush, time has run out.

"You're gonna eat a lot of crow," the president said in an interview from the platform of his train Saturday. "I'm going to win. You don't believe it, but I am fairly certain."

Bush advisers cite three major elements that still have the power to shake up the campaign and stop Mr. Clinton's momentum: the presidential debates, if they occur; the possible entry of Ross Perot into the race, and up to \$40 million worth of advertising, whose primary goal will be to plant and nurture voter doubts about the Arkansas governor.

Over the two days of this trip, the president's eyes were not on the polls, which suggest his campaign is going nowhere. He seemed rejuvenated not so much by the crowds of thousands produced by his ad-

vance team but by the pockets of people gathered along the railroad tracks to see a president, whatever his party or politics.

Holding their children aloft, sometimes carrying handpainted signs, the people of Ohio and Michigan got a rare chance in this age of campaigns waged on airport tarmacs to lay eyes on a president freed from the security box that usually encloses him. And thousands took it.

Mr. Bush, perched for hours on the back platform, waved, shouted, beamed and engaged in one-way conversations as the train, bearing the presidential seal and a special security car, made its slow way between Ohio and Michigan.

On tiny Michigan lakes along the roadbed, families balanced on rafts and boats. Children waved from the top branches of trees turning autumn red and gold. Flags flew from windows of farmhouses, and farm families in their fields held up

banner saying, "Hi" or "Wave to me, Mr. President."

Mr. Bush moved from one side of his platform to the other, trying to make eye contact with every human being along the tracks. For the rest of this campaign, he said, "You

voters like those so eager to see him this past weekend.

On Tuesday, for example, he will make five stops in Tennessee, the home of the Democratic vice presidential nominee, Al Gore. His pace will not ebb, he says, regardless of analysts who write him off.

From his train Sunday, the president criticized Mr. Clinton as someone who would raise taxes on the middle class, who knew and cared nothing about foreign policy and who, in all ways, would be too much of a risk for America.

He mocked Mr. Clinton as a man who believed the nation was in decline. "Governor Clinton can only get elected by tearing down America," he told his audience in Grand Blanc.

Oxford University has now become exhibit one in the Bush case that Mr. Clinton is an elitist, not like the good people of the nation's heartland. The Democrat spent two years at Oxford as a Rhodes scholar in the late 1960s.

"You know, Governor Clinton is already talking about pulling together the best and the brightest, all the lobbyists, economists, lawyers, all those guys, liberal guys that were hanging out with him in Oxford when some of you were over there fighting and have them solve all of America's problems," Mr. Bush said in Plymouth, Michigan.

The president, asked what gives him any confidence he can still win, recalled a come-from-behind victory in the Pennsylvania primary when all the polls there a dozen years ago showed him 30 points behind. He points to Prime Minister John Major of Britain, who was written off as defeated before his Conservative Party's victory earlier this year, and to Prime Minister Brian Mulroney of Canada, who pulled out a similar upset in 1988. He has spoken to both men in the recent weeks of the campaign.

"We're not guided by the polls," he said. "You just get out and work and get your message out."

"You gotta go the extra mile, take the extra step, just get up there."

President Bush

gotta go the extra mile, take the extra step, just get up there. It's easy to do. Your adrenaline flows on something like this."

For Mr. Bush, the extra miles will keep him out of Washington all but one day of every week until Nov. 3, as he tries to reconnect with

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Herald Tribune

Published With The New York Times and The Washington Post

Let's Clarify That Loop

It becomes harder to believe that, as he still insists, George Bush was "out of the loop" in the Iran-contra affair.

This is the phrase he used to argue that he was unaware of and uninvolved in the Reagan administration's secret efforts in the mid-1980s to (1) buy out the American hostages trapped in Lebanon by selling arms to Iran, although Ronald Reagan had ruled out arm-for-hostage dealings, and (2) apply the proceeds to buying arms for the Nicaraguan resistance, although Congress had outlawed such aid.

Assertions now being made of then Vice President Bush's involvement in the issue are not all equally weighty. But disinterested statements attributed to George Stultz and Caspar Weinberger, Reagan cabinet members, have had an especially telling effect in shredding Mr. Bush's repeated denials of having been fully aware of the affair and of the internal opposition to it. And Richard Secord, a participant in it, has now leveled a charge that Mr. Bush became an influential "advocate" of trading arms to Tehran.

As a result of the accumulation of so far uncontradicted statements — and of course with the prompting one would expect from Mr. Bush's challenger, Bill Clinton — the president's credibility in Iran-contra has become a central issue in his re-election campaign. Mr. Bush is in an unenviable squeeze. If he maintains his denials, he exposes himself to sharpening challenges to his credibility, and that at a moment when he has sought to make "trust" a principal

issue on which to attack Bill Clinton. But if under the mounting pressure he changes his story, he opens himself up to a whole range of charges bearing on his personal integrity and conceivably on his culpability in dubious and even illegal activities.

Unless, of course, he has a convincing explanation that has not yet been offered to the public. Perhaps he does. Mr. Bush was (briefly) officially interrogated on Iran-contra before much of the subsequent material came out. But he has not given a broad account publicly. In particular, he has not responded in detail since the disclosure of a damaging note from former Defense Secretary Weinberger; it confirmed earlier testimony by former Secretary of State Stultz placing the supposedly out-of-the-loop Bush at a key meeting at which Mr. Weinberger spoke against covert arms sales to Iran.

So what, some say — it was a tough situation and another day. But Iran-contra was not just a little failed stunt. It was, in its practical consequences, a major diplomatic and political disaster; in its winding of secret executive powers, an assault on constitutional government; in its demands on involved officials, a far-reaching test of judgment and integrity. In short, few other experiences could be more relevant to the measuring of presidential capacity.

Not just for the president but for the country, it is embarrassing to have questions raised about a chief executive's stand. But a full and honest accounting is due.

— THE WASHINGTON POST.

Clinton Fudges on Health

With great fanfare, Bill Clinton announced on Friday his health care plan. Yet it turned out not to be a real plan at all, just a skimpy statement of principles. And those sounded as if they had been written by a warring committee, with incompatible ideas jousting for supremacy and crucial details left out. Some words raise the nightmarish prospect that Mr. Clinton will try to run health care by dictating prices in ways doomed to fail. Other words suggest that he would rely on competition to keep prices down. The confusion is in sorry contrast to the rational if glib reform plan issued by President George Bush. Mr. Clinton owes voters a clearer accounting.

Stripped of rhetoric, the Clinton plan reduces to three measures: Establish a national target for health care expenses, called a global budget; impose price controls on doctors, hospitals and health maintenance organizations; insure all workers through employers, and nonworkers in a publicly sponsored plan for a fee based on income.

Universal coverage is the most important promise Mr. Clinton made. He pledges that illness will not be a financial terror. But the test is whether the plan can control costs while delivering on this promise. Here is where Mr. Clinton's vague declarations come up short.

He first promises to control the \$800 billion medical market — almost as large as the entire British economy — by fiat. That would require states to set thousands of prices for fast-changing, complex procedures. History is littered with such attempts gone awry. When the Nixon administration slapped price controls on office visits, physicians countered by boosting the number of times their patients visited.

At the same time, Mr. Clinton promises to promote health maintenance organizations as competitors to fee-for-service doctors. That is smart, because the organizations, by charging preset premiums, make more money by keeping patients healthy than by treating them when they become ill. There are encouraging signs that Mr. Clinton would create agencies to manage competition among health maintenance organizations, a critical ingredient of a workable plan. But the words are vague, the commitment uncertain.

Nor does Mr. Clinton explain how he would compel individuals to choose cost-effective managed care without using the tax code as a hammer, or how health maintenance organizations enrolling huge numbers of AIDS patients would survive. These glaring omissions are not details. They go to the core of reform. Anyone can promise universal coverage and affordable costs, but promises don't make them happen.

Clinton advisers have ridiculed Mr. Bush's 90-page reform plan. They might have been smarter to borrow more, criticize less. Mr. Bush put himself firmly on the side of competition and provided imaginative ideas for compensating insurers who take on the chronically ill. Like Mr. Clinton, he lacked political guts: He did not propose using the tax code to drive consumers into managed care, and he did not propose universal coverage. With guts and a few strokes of the pen, his plan is reparable. He knows where he wants to go. Mr. Clinton has yet to tell us.

— THE NEW YORK TIMES.

For Fair Heart Research

The long-ignored question of who actually gets studied in medical studies — how many male and female, older and younger subjects — is finally getting attention from both the researchers who design studies and the government agencies that fund them.

The issue is not discrimination per se but, more simply, the quality of the care that results when findings drawn from unbalanced studies are then used to prescribe treatment for patients across the board. That useful attention continues in this week's *Journal of the American Medical Association*, in a new review of 75 heart disease studies showing that most turned away subjects over 65 years old, although a rising proportion of actual treatment for heart disease is performed on patients well above that age.

The age-cutoff issue is relatively new, but it is intertwined with a more familiar one, that of women's representation in such studies, because there are so many more elderly women than men. Until recently, the results of studies done only on men were routinely prescribed for women as well. The celebrated example was a study of heart disease and aspirin intake that studied only male subjects but ended by recommending that both men and women could substantially cut their rate of heart disease by taking an aspirin a day.

Similarly, as the medical journal's article this week notes, most drug-treatment studies use only patients under 65 in the studies that determine effectiveness. The practice seems sensible on safety and to some extent on ethical grounds; many researchers do not like the idea of giving placebos to a control group that is already frail or needs more aggressive treatment. But it causes trouble when, for instance, dosages calibrated for healthy middle-aged men are used in treating elderly women. Many researchers now say that this practice leads to chronic overmedication of the elderly.

When treatment and surgery are prescribed for women and the elderly based on

studies done only on men or only on the middle-aged, how reliable are they? Because the studies have not been done, no one knows. Women's health advocates do, however, point to researchers' own stated rationales for not including women in studies, such as the possibility of hormonal irregularities or danger to childbearing, as the very reasons why women may react differently to the resulting treatments. Other studies hint at further levels of complication: Women and men get heart disease at the same rates but at different average ages; some aggressive treatments may be riskier for women.

The director of the National Institutes of Health, Bernadine Healy, has been pressing hard to remedy the imbalance between research and practice on the gender front, as well as pushing for more funding of diseases that affect women (such as breast and ovarian cancer). A House committee on aging recently held hearings on the gaps in gerontology — both research and treatment. Both areas need a lot more work, but it is progress at least to know what we don't know.

— THE WASHINGTON POST.

Other Comment

For a 'BBC of America'

Some 70 million people listen regularly to the British Broadcasting Corporation, which is widely considered the most objective of the international broadcasters. Only two-thirds as many tune in to the Voice of America, which aims government commentaries that are widely thought to color the news. The Voice of America's broadcasts can be expanded to provide local service. That may help wake up China. But we don't need Radio Free Europe, Radio Liberty or a new Radio Free Asia. We need to consolidate all the government's news gathering and broadcasting under a single, high-quality service. We need a BBC of America.

— San Jose (California) Mercury News.

No American Policy for the New Europe?

By Jim Hoagland

PARIS — European officials who met with Defense Secretary Dick Cheney in Paris and London this month have concluded that there will be no "October surprise" in this election year: The Bush administration has decided to avoid any military action in Yugoslavia or Iraq before the Nov. 3 U.S. elections.

While welcoming American prudence abroad in the midst of a bitter presidential election campaign, some Europeans are nonetheless con-

American policy for the Balkans is even more static than it is on Iraq.

cerned that the United States is embarking on a four-month vacation from world leadership at a crucial moment in the post-Cold War era.

That concern rises as the polls show President George Bush losing an increasingly desperate re-election bid. Foreign governments fear that campaign paralysis will be followed by an uncertain interregnum in Washington, as a new and untested Democratic administration gets organized.

Gone in this campaign and in the potential transition from Mr. Bush to Bill Clinton are the immediate focus and continuity imparted by the Cold War threat of a massive, quick Soviet strike. For the first time in half a century, it is not clear what urgent foreign priorities America will set for itself after a presidential election.

In Iraq, only a major provocation by Saddam Hussein that would embarrass Washington would bring U.S., British and French military strikes. French military sources tell me. They add that Saddam shows every sign of trying to avoid confrontation now. U.S. and British officials echo this assessment.

The situation in the former Yugoslav republics is less stable. But American policy there is even more static than it is on Iraq, despite a spreading sense in Europe that the Yugoslav crisis is reaching a defining moment.

French officials hoped Mr. Cheney would provide support for a more activist Western role, backed up by symbolic U.S. military involvement, to contain the conflict in the Balkans. They were disappointed by his vague, noncommittal responses in Paris. He waved off even the modest proposal that U.S. AWACS surveillance aircraft, which would not be vulnerable to attack, participate in an essentially French-run operation of air cover for aid flights and convoys in Bosnia.

In public, the Bush administration continues to send deliberately murky signals about U.S. willingness to use force if necessary to provide relief for the besieged cities of Bosnia. Administration officials suggest at times that Washington may get involved, and then back away from those statements when the time for action arrives.

The public ambiguity is intended both to calm Serbian nationalist opinion and to add pressure on Serbian nationalists to contain the conflict. In private, there is no ambiguity.

Mr. Cheney reflected in London and Paris the overriding determination by the administration to do nothing that would get U.S. forces involved in a Balkan quagmire, especially in this election year. "What is striking is that the Americans are not saying that the cost is too high or the cause is not worth it," said one European official. "What we hear more and more from Americans is that they don't know what to do about Yugoslavia — there is simply no pol-

icy the Americans can figure out to follow now."

As the United States pulls farther away from any action in the Balkans, France is going in the opposite direction. While normally under the United Nations flag and command, the ground operations in Croatia and Bosnia are increasingly by a French affair, as the French force expands to 4,000 men on the ground. New French units in October with clearer authorization to hit back against attacks from Serbian irregulars and military units. Eight French soldiers have already been killed in ex-Yugoslavia.

French self-interest plays a role in the willingness to take on more of the burden. Paris sees the absence of U.S. leadership in helping Europe contain a dangerous war as both an opportunity and a demand for a French-organized security arrangement in Europe. Yugoslavia underscores the inability and/or unwillingness of the U.S.-led North Atlantic Treaty Organization to act in the Balkans.

Canada, which is withdrawing its troops from NATO because the Cold War is over, has put almost 1,500 troops into Yugoslavia. The United States, which insists it has to keep the command of European defense, will not get involved in this real threat to European security," a French official said. "The contrast is remarkable."

The bloodletting in Yugoslavia will not take a holiday because of the American elections. Neither will the political, diplomatic and military efforts of other nations to establish new balances of power and influence in the new Europe. The absence of American ground troops in the Balkans is understandable and right. The absence of American policies that influence the outcome there is not.

The Washington Post.

Simply Put, America Was Fed Up

By Leslie H. Gelb

NEW YORK — Vietnam hawks and doves found a new battleground last week — Senate hearings on prisoners of war and servicemen missing in action. Once again, they left each other and their country bloodied. One more time, they blinded the nation to fundamental truths about its long nightmare.

Hawks like Henry Kissinger kept pushing the deception that South Vietnam alone could have held off the Communists at war's end had not doves denied U.S. military help. The Kissingers continued to run from the central truth that can still liberate them and the nation from Vietnam's shadow: South Vietnam lost the war, not America and not American doves. It was always Saigon's war to win or lose, although the United States lost its wealth, its soul and hundreds of thousands killed and wounded in giving Saigon a chance.

Doves like Senator John Kerry again ignored the chance to bring home this truth. Their interest seemed limited to finding a new weapon against hawks, who they believe dragged the United States into the war and then unparadoxically prolonged it. Thus the Kerrys, too, fled from a liberating truth: Liberals and conservatives alike promoted and supported the U.S. commitment to "save" Vietnam from communism until the late '60s. Whoever lied about whatever, that collective responsibility remains.

All such thoughts were far from everyone's mind when Mr. Kerry, a war hero, decided to look at the POW-MIA issue. His initial idea was to put that wrenching matter behind the nation and get on with the long process of normalizing relations with Vietnam.

Somewhere along the way, he found strong suggestions that Hanoi did indeed hold back servicemen, and that Richard Nixon knew this in 1973 and did nothing to free them, supposedly in order to rush through the politically popular withdrawal of all U.S. forces in a vain effort to salvage his presidency from the Watergate scandal.

Last week's evidence and testimony were often impressive. News stories compounded the confusion.

The real issue to be faced: Hanoi did return all confirmed POWs in 1973, but there was evidence then that a number of servicemen listed as MIAs might have been alive, mainly in Laos. President Nixon knew this and told Americans about it in March 1973. But neither he nor Mr. Kissinger pressed the issue further with the public, despite prompting by some sides.

When Mr. Kerry hit Mr. Kissinger with the charge that he had not done all he could to free servicemen knowingly left behind by the United States, the former secretary of state struck back. People who opposed further U.S. military action at the time, he said, "cannot now say you didn't get what you only could have gotten by continuing military operations."

The nerve touched, out came the venom from Mr. Kissinger. Alexander Haig and others: The United States could have threatened Hanoi over the MIAs save for the doves' opposition. Moreover, they argued, South Vietnam could have been saved if doves had not cut off military aid and aid, thus stalling the Vietnamization policy in the back.

This was the 1969 policy of withdrawing U.S. forces and turning the war over to the South Vietnamese. But Vietnamization never could have worked, as David Halberstam and Stanley Karnow, the great historians of the war, never tire of explaining.

How could Saigon, corrupt and lacking the mantle of nationalism, stand up to Hanoi, which, rightly or wrongly, held that mantle? How could South Vietnamese forces defeat Hanoi when 500,000 U.S. fighters backed by the heaviest bombing in history could not?

Vietnamization was a fraud. Many hawks sold it simply to create a "decent interval" or "a fig leaf" between U.S. withdrawal and Saigon's defeat. Many doves went along with it simply as the most opportune way out.

By 1973, the Kerrys and Kissingers wanted out as badly as the Kerrys. And Hanoi knew it. The United States thus had no leverage over Hanoi to free captive servicemen, if there were any, let alone go on postponing Saigon's inevitable fate.

Americans had freely chosen to do all they reasonably could — and so much more — to prevent or delay that day. By 1973, with costs still mounting and no end in sight, they had had enough. These truths are plain. Yet hawks and doves are not willing to settle for them, not now, perhaps never.

The Washington Post.

The New York Times.

Be Fair to German Economic and Money Policies

By Jürgen Mülleemann

The writer is the German economics minister.

BONN — Even cabdrivers in Washington, I am told, have become quick conversant with the issue of the Bundesbank. We obviously live in a new world — one in which the practical effects of what was once abstractly defined as "economic interdependence" now leave their mark on everybody's doorstep. Given the weakened state of all our economies, it is only natural that the current atmosphere is somewhat tense.

If international economic coordination is to be possible, then all of us, from Bonn to Rome to London to Washington, must do a much better job of explaining to each other our motives and goals as we go about formulating our respective economic policies. Indeed, the need to make communications part and parcel of policy strategy is the key lesson we in Europe have learned about the Maastricht treaty on economic union in the aftermath of the Danish and now of the French vote.

What then are the quandaries facing us in Germany that affect the current international debate? And how do we plan to go about resolving them? Let's start with interest rates.

Essentially, three charges have surfaced. Germany is said to be financing unification through international capital markets, and not through internal sources, for example by raising taxes. Closely connected is the assertion that Germany has raised its interest rates to attract investment capital that otherwise would have gone elsewhere. Finally, the claim is made that, through this policy, Germany has hampered global economic growth.

True, vast amounts of money, in the tens of billions of dollars, have been flowing into Germany — and, true, they did so as a result of high interest rates. But virtually all of these are short-term funds. They come in overnight and can be withdrawn tomorrow. Moreover, these funds have next to nothing to do with the attraction of investment capital, which depends on long-term interest rates. These are set by the markets, not by governments (or their central banks). Moreover, in

the case of the United States and Germany, seven-year rates, at 6.01 percent and 6.75 percent, respectively, are closely in line.

Still, you may ask, why has the Bundesbank raised short-term rates in the first place? It wants to signal to German financial markets its concern about the danger of inflation, as business activity and, more importantly, loan demand have been extraordinarily high because of German unification.

In the Bundesbank's view, there is no point in keeping the economy booming now if growth comes at the price of an inflation rate as high as 5 to 7 percent down the road.

But it would be a mistake to view German interest rate policy purely within a domestic context. Bundesbank policies have helped set an independent standard for politicians throughout the European Community in their attempts to cut budget deficits and rein in inflation, often against the fierce opposition of domestic vested-interest groups. Various countries have used the discipline of the European Monetary System, anchored as it is to the Deutsche mark, to enhance their monetary credibility on world markets and lay the foundation for future prosperity.

For all our shortcomings, we tend to overlook what has been accomplished — and how quickly. For example, the Treuhändanstalt, the agency charged with privatizing East German companies, already has managed to privatize roughly 9,000 of the 12,000 formerly state-owned enterprises — no mean feat.

Still, restructuring is a painful process. Industrial production has fallen to one-third of that in 1989, and productivity in the East hovers at a level one-third of that in Western Germany. In addition, the virtual disintegration of East European markets has drastically reduced exports.

Despite all the trouble spots, there are a good many positive signs. Some companies are managing the transition to the standards of national and indeed worldwide competition. A solid grouping of small and medium-sized enterprises is emerging. Virtually all sources of unacceptable pollution have been eliminated. And food products made in Eastern Germany are back on the shelves, after almost disappearing in the early stages of unification.

None of this comes easy, but the process is on the right track.

And, as we are learning only now, unification is a two-way street. Some old Eastern practices are worth keeping and should be extended to all of Germany. They include such mundane practices as the right to turn right at a red light, as well as integration of women into the work force and the introduction of the East's shorter 12-year schooling system.

On top of all this, we all have to address the global competitive challenge. There are today no more islands of resplendent economic wealth. Virtually every location is, at least potentially, in competition with every other.

For us, the twin issues of the future of the welfare state and of labor practices are crucial. Revising such practices, especially if these have worked very successfully for a number of decades, is a difficult political task and requires extensive domestic debate.

The early to mid 1990s represent a defining moment for the world's three major economies. Increasing competition from around the world means that the opportunity to remain competitive — to preserve what works and weed out what does not — is quickly becoming a necessity. At the same time, the danger of pulling back from the challenges of living in a truly global economy looms large.

So far, the major economies have not done all that impressive a job in accepting domestic changes brought about by the international economy. In many ways, some lesser developed economies have done a better job of adapting to global pressures.

Making these adjustments will require each of us to be a good deal more forthright and transparent about our policy motives and goals than we are accustomed to being. But if we doubt the necessity, we need only remember what jitters a vote by Danish fishermen can create on the computer screens of fund managers working in high-tech offices in faraway places.

The Washington Post.

As for the high cost of German unification, here it is important to preserve a sense of proportion. To begin with, can the financial demands related to the restructuring needs of 17 million former East Germans really put other economies — and indeed the world economy — into the doldrums, as some believe? After all, at \$100 billion a year, the cost of unification roughly equals what has been spent annually in America on the savings and loan cleanup.

More importantly, more than two-thirds of these funds are sourced at home, from domestic savings. Only about \$30 billion represents an actual inflow of capital into Germany — a pittance in terms of what global capital markets can and do absorb. On a proportional basis, it is no more — and on an absolute basis, considerably less — than what the United States annually imports.

Still, the worldwide recession forces all of us to redouble efforts to devise expansionary policies. In Germany, the coming second anniversary of unification has given further impetus to a lively domestic debate.

Under Chancellor Helmut Kohl, Germany is enacting its fair share of belt-tightening measures. The proposed Solidarity Pact seeks to build a consensus among all economic players — business, labor and every level of government — to reduce public sector spending and to keep wage increases in check. The Finance Ministry's proposal to cut corporate tax rates significantly would stimulate business activity. Together these measures provide a solid German contribution to stimulating the world economy.

Beyond these immediate steps, the challenge we face in our new federal states is to duplicate Western Germany's 40 years of economic build-up within a time frame perhaps as up to a decade. At the same time, we must undertake a top-to-bottom inspection of the West German economy. Where do we stand on this dual challenge?

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many employers have begun self-insuring in order to escape fringe-benefit regulation under the Employee Retirement Income Security Act. Until the 1980s, virtually all employees who were members of company health plans automatically qualified for insurance when they were hired. There was practically no screening ("medical underwriting") of individuals intended to reject in advance those who might have the effrontery to get sick. But lately, more and more company health plans refuse to insure individuals or their family members who are at medical risk.

And if you lose your job, or change jobs, there is an even greater risk that a "pre-existing condition" will preclude you from getting insurance at an affordable price, or at all.

So it is small wonder that Americans feel economically vulnerable.

For the foreseeable future we are likely to see more economic turbulence. That turbulence will be individually bearable only if high growth creates new job opportunities, and if government helps to ease necessary transitions. But as unemployment benefits, retraining programs and economic development outlays have all been cut back, few such policies are currently in effect.

Some of this uncertainty is a necessary by-product of economic innovation. But much of the sheer chaos in such industries as banking and airlines reflects excessive deregulation.

Moreover, the linkage of health and pension benefits to employment perhaps made sense back when companies stayed put. But in today's economy, where employers and their benefit plans are here today and gone tomorrow, there is no substitute for citizenship and not on the caprices of the marketplace.

The economic policies of the 1980s have blown away the predictability that ordinary people require, and President Bush is reaping the whirlwind.

Washington Post Writers Group.

Galloping Insecurity Scares Americans

By Robert Kuttner

WASHINGTON — George Bush has been wondering aloud why the voters seem to think economic conditions are worse than they actually are. Let me offer one explanation: galloping insecurity.

There was a time in America when a job, blue collar or white, normally meant a stable career. General Motors, Eastern Airlines, CBS, the phone company, the local public school, the library, the bank, the bus line — all tended to stay put: a loyal employee could expect to stay put, too. Even in highly cyclical industries, most workers who were occasionally laid off would be recalled when orders picked up.

With steady career patterns came "fringe benefits," notably health care

and pensions. I put the term in quotes because a fringe benefit wrongly implies mere frosting. In fact, employer-provided health and pension benefits are part of the basic household cake.

In recent years the cake has begun to crumble, and the recession has revealed the whole system's underlying fragility. Today nobody has reliable job security — not IBM engineers, not civil servants, not bankers, not tenured college professors, not unionized factory workers. That is bad enough when times are good and job-shifting produces economic gains. It is devastating when new jobs are not to be had.

Research by the Harvard economist James Medoff shows that the white-collar share of unemployment in this recession, about 40 percent, is nearly double that of the downturns of 1973 and 1982. The congressional Joint Economic Committee reports that, unlike in a typical recession, a majority of workers being laid off will not be rehired for their old jobs.

Thanks to deregulation, global competition and the corporate takeover game, there is no social contract left between employer and employee. Some high rollers may find this kind of life-on-the-edge exhilarating, but most ordinary souls find it terrifying.

So while "only" 7.5 percent of the American labor force is out of work (the Joint Economic Committee says the real figure is 11 percent when you count those who have given up looking), even those with jobs are without job security.

Beyond unemployment rates, one of the most telling indicators of rising insecurity is declining pension and health insurance benefits. In the boom years, large corporations rewarded loyal, long-tenure workers with excellent health and retirement plans. But as the pressure to shave costs has intensified, these benefits have been tossed overboard.

Pension coverage, after gradually increasing since 1945, has been declining since the early 1980s. More and more employers have scrapped pension plans or changed the terms so that workers no longer are guaranteed a specified retirement benefit.

During the 1980s, some 6 million workers lost their pension coverage. Today about 39 percent of workers are enrolled in a company-run pension plan, down from 48 percent in the late '70s. According to the American Academy of Actuaries, some 47,000 employers, large and small, simply terminated their pension plans between 1989 and 1991. The Pension Benefit Guaranty Corporation considers another \$40 billion worth of pension plans underfunded.

Employer-provided health care, likewise, is becoming ever less reliable. In 1990, employer shifting of health costs to workers was the main issue in 83 percent of labor negotiations and 78 percent of strikes, according to the AFL-CIO.

Beyond the issue of cost-shifting,

many employers have begun self-insuring in order to escape fringe-benefit regulation under the Employee Retirement Income Security Act. Until the 1980s, virtually all employees who were members of company health plans automatically qualified for insurance when they were hired. There was practically no screening ("medical underwriting") of individuals intended to reject in advance those who might have the effrontery to get sick. But lately, more and more company health plans refuse to insure individuals or their family members who are at medical risk.

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Employers and their benefit plans are here today, gone tomorrow.

and pensions. I put the term in quotes because a fringe benefit wrongly implies mere frosting. In fact, employer-provided health and pension benefits are part of the basic household cake.

In recent years the cake has begun to crumble, and the recession has revealed the whole system's underlying fragility. Today nobody has reliable job security — not IBM engineers, not civil servants, not bankers, not tenured college professors, not unionized factory workers. That is bad enough when times are good and job-shifting produces economic gains. It is devastating when new jobs are not to be had.

Research by the Harvard economist James Medoff shows that the white-collar share of unemployment in this recession, about 40 percent, is nearly double that of the downturns of 1973 and 1982. The congressional Joint Economic Committee reports that, unlike in a typical recession, a majority of workers being laid off will not be rehired for their old jobs.

many employers have begun self-insuring in order to escape fringe-benefit regulation under the Employee Retirement Income Security Act. Until the 1980s, virtually all employees who were members of company health plans automatically qualified for insurance when they were hired. There was practically no screening ("medical underwriting") of individuals intended to reject in advance those who might have the effrontery to get sick. But lately, more and more company health plans refuse to insure individuals or their family members who are at medical risk.

And if you lose your job, or change jobs, there is an even greater risk that a "pre-existing condition" will preclude you from getting insurance at an affordable price, or at all.

So it is small wonder that Americans feel economically vulnerable.

For the foreseeable future we are likely to see more economic turbulence. That turbulence will be individually bearable only if high growth creates new job opportunities, and if government helps to ease necessary transitions. But as unemployment benefits, retraining programs and economic development outlays have all been cut back, few such policies are currently in effect.

Some of this uncertainty is a necessary by-product of economic innovation. But much of the sheer chaos in such industries as banking and airlines reflects excessive deregulation.

Moreover, the linkage of health and pension benefits to employment perhaps made sense back when companies stayed put. But in today's economy, where employers and their benefit plans are here today and gone tomorrow, there is no substitute for citizenship and not on the caprices of the marketplace.

The economic policies of the 1980s have blown away the predictability that ordinary people require, and President Bush is reaping the whirlwind.

Washington Post Writers Group.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1892: Faulting the Congo

PARIS — The Congo Free State has a curious comprehension of the civilizing mission which motivated its creation. There is not a single European Power with interests in Africa with which it is not at loggerheads. In the latest instance the Netherlands has been obliged to protest against a new violation of the Treaty of Berlin. Even Belgium herself is not content with the Congo Free State. The Government of Leopold II, King of the Belgians, has complaints to make against the Government of Leopold, Sovereign of the Congo.

1917: Willy to Nicky

NEW YORK — The Herald publishes the first installment of the complete secret "Willy-Nicky" correspondence brought by Mr. Herman Bernstein from Petrograd. There are 65 telegrams and letters in all. Included is a long letter from the Kaiser to the ex-Tsar protesting heatedly

against the seizure in 1904 by Russian cruisers of the German steamship *Scania*, suspected of carrying contraband. The Kaiser became so indignant over this episode he dropped his friendly familiar "Willy" signature and signed William.

1942: Americans Seized

VICHY — [From our New York edition:] Hundreds of American citizens were rounded up in occupied France by French police during the weekend and turned over to the German occupation authorities who interned some of them in the monkey house of the Bois de Boulogne Zoo in Paris, reports said tonight [Sept. 27]. The American Embassy at Vichy has asked the French Foreign Ministry to inquire into the matter. Among those arrested were reported to be Mr. and Mrs. Charles E. Bedaux, at whose home the Duke of Windsor and Wallis Warfield, were married. The round-up centered at Paris and extended throughout the occupied area.

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AMERICAN TOPICS

It's Binge Drinking That Hurts Indians

Alcohol-related accidental death rates run about three times higher among American Indians than among the rest of the U.S. population...

Alcohol-abuse programs have focused on older, chronic alcoholic males. But the chief problem is sporadic binge drinking by males between 18 and 34...

Short Takes

Nearly all the 3,400 U.S. colleges and universities are having financial difficulties because of the recession, a declining pool of college-age youths...

schools were to join the list of the defunct."

About People

In Louisiana's oil-producing Cajun country, two brothers are running against each other for the same seat in Congress. The incumbent is Jimmy Hayes, 45, a Democrat and former state banking commissioner...

College fraternities and sororities, on the other hand, are thriving after undergoing a near-collapse during the student unrest of a generation ago.

Victims of the Florida hurricane have been price-gouged by some fly-by-night operators, but established firms are maintaining their store of goodwill by holding prices down.

Princess is the favorite name for females, Max for males, and Fido isn't even on the list of the 50 most popular names for New York City's 140,000 licensed dogs.

Arthur Higbee



Gregory Kingsley, 12, testifying in his lawsuit to end the parental rights of his natural mother and to be adopted by his foster parents.

'Divorcing' Mom: Approval Fans Debate

By Anthony DePalma New York Times Service

ORLANDO, Florida — The ruling by a Florida judge approving a 12-year-old boy's request to end the parental rights of his natural mother has failed to quiet the debate among lawyers and children's advocates over whether the case has strengthened or weakened the status of the family in America.

Some believe that permitting minors to sue their parents to improve their lives extends to children the rights guaranteed them by the U.S. Constitution. Often in child custody cases, minors are forced to accept what parents, legal guardians or other adults see as in their best interests.

The boy himself, Gregory Kingsley, has said that he hoped his case would encourage other young people to take action to gain their happiness. The judge approved his adoption by George H. and Elizabeth Russ, who have been his foster parents since last October.

Mr. Russ, who is a lawyer, said after the trial ended Friday that he was pleased with the verdict, in part because of the message it sent. "Let the law protect real families," he said, "not families in name only."

But others have warned that the case has substantially weakened the traditional ties that bind families and set a dangerous precedent.

Much depends on what happens to the ruling now. Judge Thomas S. Kirk, a state circuit court judge, said that the natural mother, Rachel Kingsley of Missouri, "had lied consistently" during the trial about her actions and that he be-

lieved there was clear and convincing evidence, "almost beyond a reasonable doubt," that she had neglected and abandoned Gregory.

The boy had lived with his natural mother only seven months in the last eight years. He testified at the trial that for almost two years while he was in foster care, his mother never visited, called or wrote to him.

Lawyers for Ms. Kingsley said after the trial that they intended to appeal the ruling to the 5th District Court of Appeals in Daytona Beach, Florida. If the ruling is upheld in appellate court, lawyers believe, the case could then set an important precedent.

"People are much too ready to equate a child's interests with the interests of biological parents," said Elizabeth Bartholet, a professor of law at Harvard University. "This case is likely to advance thinking about that."

Howard Davidson, director of the American Bar Association's Center on Children and the Law, said he did not expect the case to cause a flood of inappropriate or frivolous lawsuits. But, he said, "The case clearly sends a message to parents that they are not free to neglect and mistreat children without consequence."

One of Ms. Kingsley's lawyers, Jane E. Carey, said the ruling would have a more sinister impact. "What has happened is we have decided to place children's wishes over the preservation of the family," she said. "Maybe America has gotten in this particular situation

what it wanted, but that has torn this family apart."

Ms. Carey said the lawyers did not believe that Gregory understood exactly what was in the legal papers he signed initiating the court action to sever his ties with

his biological family. The boy hired his own lawyer, Jerri A. Blair of Orlando, but he was advised at every step by his foster father, Mr. Russ. Gregory's natural father, Ralph Kingsley, did not contest the adoption.

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Kennedy Often Used Cocaine, Ex-Aide Says

The Associated Press

WASHINGTON — A book by a former administrative assistant, Richard E. Burke, describes Senator Edward M. Kennedy as a cocaine user in the 1970s who once took the drug with two of his children. A spokesman for Mr. Kennedy and the children denied the allegations.

Mr. Burke writes in "The Senator: My Ten Years With Ted Kennedy" that cocaine helped the senator "keep on top of an ever-demanding social life." Mr. Burke said he himself used cocaine and that Mr. Kennedy never tried to hide his usage from him.

Mr. Kennedy, in a statement, called the book, "a collection of bizarre and untrue stories."

"It is an outrageous example of say anything, sell anything, publish anything for a buck," he said.

"Senator Kennedy has never done illegal drugs," said a Kennedy spokesman, Paul Donovan, who called the book "a work of fiction."

The senator's personal attorney issued a dossier detailing a bizarre 1981 hoax in which Mr. Burke acknowledged having concocted an alleged assault and death threats aimed at himself. The episode cost Mr. Burke his job on the Kennedy staff and led to his conviction for illegal possession of a pistol. A year ago, he filed a petition for personal bankruptcy in New York and identified 47 creditors to whom he owed \$3.3 million.

"I must own up to this," Mr. Burke writes. "But I am not the only one who must own up."

Mr. Burke depicts Mr. Kennedy as an avid party goer, womanizer and cocaine user. Most of the examples of cocaine use are second-hand stories told to Mr. Burke by people given aliases in the book. But in one instance, Mr. Burke describes using cocaine with Mr. Kennedy and two women at the senator's home.

Mr. Burke describes how the four allegedly used a rolled up \$100 bill and took turns inhaling cocaine.

"One way he kept his energy up was, increasingly, through cocaine," Mr. Burke writes. "My own intake had accelerated parallel to his, though I tried to limit it to weekends."

"The senator never tried to hide his usage from me," Mr. Burke writes.

In the South, a Democratic Turnaround

By Peter Applebome New York Times Service

ATLANTA — In the Republican high tide after the Gulf War, all roads to a Republican takeover of the Senate seemed to run through the South, where seven Democrats were up for re-election in what looked like a Republican year.

Now, the Democrats have a shot at keeping all seven seats.

The South remains the Republicans' best hope for picking up seats in the Senate, and Democratic senators in Georgia, North Carolina and South Carolina are all viewed as vulnerable in a year when anti-incumbent sentiments may prove as potent as the war once seemed.

But one of the most telling signs of how much has changed in the last year and how much has not changed in 12 years of Republican presidents is the political landscape of the South, where the conservative gains nationally did not produce the Republican gains in the region that many had anticipated.

Back when President George Bush's approval ratings were hovering around 90 percent and the war seemed certain to be a dominant issue, Republicans were anticipating dramatic gains.

Up for re-election are four Democratic senators who voted to continue economic sanctions against Iraq rather than authorize force in the Gulf: Terry Sanford of North Carolina, Wyclef Fowler Jr. of Georgia, Ernest F. Hollings of South Carolina and Dale Bumpers of Arkansas.

Five of the seven up for re-election — Mr. Fowler, Mr. Sanford, Richard C. Shelby of Alabama, John B. Breaux of Louisiana and Bob Graham of Florida — are freshmen.

At the minimum, Mr. Sanford, Mr. Fowler and Mr. Hollings seemed likely losers. "They all looked like dead meat," said Harrison Hickman, a Democratic consultant now working for Mr. Sanford.

Senators Sanford, Fowler and Hollings 'all looked like dead meat.'

Harrison Hickman, a Democratic consultant

At most, all seven, perhaps with the exception of Mr. Breaux, were thought to be possible targets for the right challenger.

Since then, Mr. Bush's popularity has plummeted. The war has receded as an issue and has been replaced by the economy. The Democratic ticket of Southerners, Bill Clinton of Arkansas and Al Gore of Tennessee, has left Southern Democrats more energized than in any race since 1980.

And the Republicans repeatedly failed to get their strongest candidates to run.

The Democrats are now considered safe in Arkansas, Louisiana, Florida and Alabama. But political analysts say the races in Georgia, South Carolina and North Carolina could all be highly competitive.

In some ways, the dynamic is similar in each race: an incumbent with some clear vulnerabilities fighting an anti-incumbent tide.

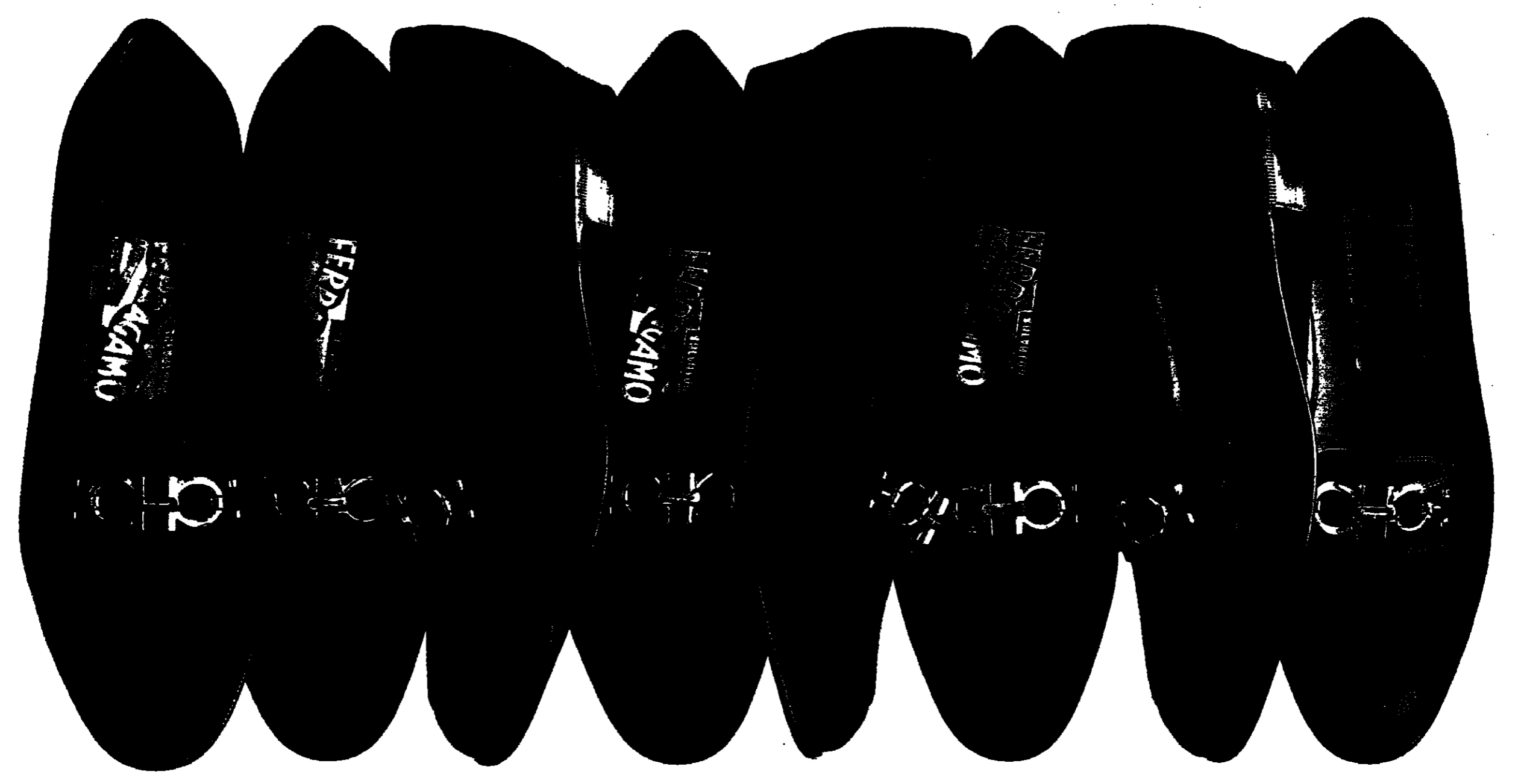
"In almost all the state races I can think of this year, if it was close, the incumbents lost," said Mr. Campbell.

Recent independent polls in the three races show the incumbents leading, but within reach. The most endangered may be Mr. Sanford, who is now a 75-year-old freshman senator.

Merle Black, a professor of politics and government at Emory University, said that despite the conservative politics of the region, the Democrats have prospered by fielding savvy, pragmatic political moderates while the Republicans have tended toward ideologues.

"The Democrats have usually positioned themselves as moderates blending liberal and conservative positions in a way that can attract white swing voters and put together a majority," he said, "while the Republicans get only the white conservatives, and that's not enough."

"As long as the Democrats can run as moderates versus conservatives and bring home the bacon, they're in much better position to keep office than the Republicans."



Salvatore Ferragamo

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GYPSIES: Refugee Issue Leaves Germans Confused

(Continued from page 1)

sleep outdoors has jarred German expectations of orderly behavior, have borne the brunt of the anti-foreigner sentiment.

Academics and government officials agree that this sentiment has been heightened by rising worry about the country's future.

In Rostock, the removal of foreigners after the August attacks has won wide support, even from those who condemn the violence. Many Germans express sympathy for the extremists, whose attack left an 11-story apartment building charred and gutted nearly to the top.

Last week, a group of men stood at a wurt stand not far from the firebombed building, expressing unanimous relief over the Gypsies' departure but differing over how it should have been achieved.

"Of course it's wonderful that

it's clean and orderly around here again, but you can't achieve anything with violence," said a mechanic, Hans Widera.

Residents sympathetic to the foreigners have sprayed the building's exterior walls with graffiti saying, "He who is silent is guilty too."

Half an hour's drive away, across a ferry and along roads winding by pristine sand dunes, lies Hinrichshagen, where villagers farm small plots, raise chickens and rabbits and rent rooms to vacationers.

The asylum-seekers removed from Rostock live now in shabby green barracks closed to the press. Residents said the buildings are rundown and dirty, with no heat and a single communal bathroom shared by men, women and children.

A guarded gate and new police station now divide the foreigners' barracks from a small apartment

complex housing former East German army officers and their families. But Gypsies and other asylum-seekers spend most of their days on the village roads, sitting in large circles, playing with their children, lighting fires to cook food.

The result has been a series of confrontations that have led some villagers to seek help from neo-Nazis.

"In principle, what the youths did in Rostock was the right thing," said Gunnar Thiel, 18, a student living next to the barracks. "It stinks to high heaven here from these Gypsies, and the politicians won't do anything. They steal from our stores and stay out here all day smoking and drinking. I'm no neo-Nazi, not even rightist really, but this somehow calls out the hate in me."

Arne Klein, a researcher at Berlin's Technical University, said: "Surprisingly enough, it is not the unemployed or Easterners who feel like second-class citizens who express anti-foreigner beliefs. It's people with jobs — in both East and West — who feel most threatened, who fear losing their place in society. The neo-Nazis are just a fringe group, but the people showing up in the research as the sympathizers are the middle class."

While many Germans are greatly disturbed by anti-foreigner attitudes, Germans of almost any background can be found among those who say the country must act to restrict the influx of foreigners.

"Of course we need foreigners, considering our low birthrate," said Kurt Kasch, senior vice president of Deutsche Bank in Berlin. "But how many? Our elites, political and business, have not yet been able to come up with good explanations for the fears people have about Germany's future. And when you have an entire country full of fear, you look for some place to focus those fears — a target. The radical right offers simple solutions, which are not the right solutions. But the government must offer some solutions, or else we could face a dangerous situation."

POLL: Support for EC

(Continued from page 1)

integration, despite the current crisis on exchange markets.

Nearly half thought that the Community was capable of achieving a better common defense. A common foreign policy and the possibility of a joint defense are components of the Maastricht treaty.

More than half of those questioned said the treaty would lead to an improvement in relations with the United States and Japan, but 29 percent said the relations would worsen and 19 percent were undecided.

Eight out of 10 said the EC Commission was too bureaucratic, and an average of 66 percent said commission staff appear to be paid a lot for doing little.

In the northern countries, only 30 percent of those who replied said the commission did a good job in looking after the interests of their country. Overall, nearly half of those surveyed said they thought the commission represented their interests and 74 percent said the commission had many good ideas.

Nearly half of the respondents said the European Parliament, which is seen as a potential brake on the commission powers, should have more authority, although only 13 percent could identify their elected member of the parliament, which sits in Luxembourg and Strasbourg.

While a majority said the EC should determine economic policy for the entire Community, 45 percent said they thought the Maastricht treaty, which calls for just such economic control, was too binding on the autonomy of their countries.

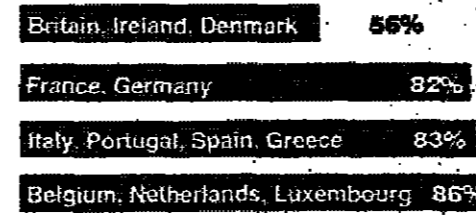
More people than not — 46 percent compared with 15 percent — thought the quality of their lives would improve as a result of being in the EC. Those in the southern countries were the most optimistic, with 58 percent saying the EC would improve conditions for them, particularly in terms of an extension of health care and welfare provisions.

People questioned in the founder members of the Community — France, Italy, Germany and the Benelux countries — were more satisfied with their nation's performance than were those in the members that joined later — Britain, Ireland, Denmark, Spain, Portugal and Greece.

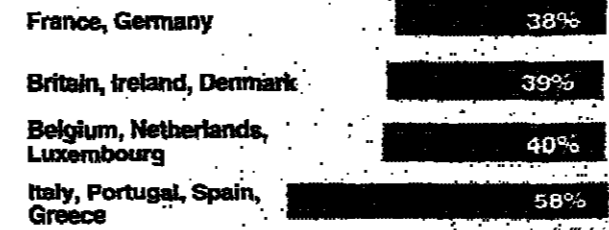
In the northern countries, only 30 percent of those who replied said the commission did a good job in looking after the interests of their country. But overall, nearly half of those surveyed said they thought the commission represented their interests.

Where They Stand on the EC

Overall, are you in favor, or are you not, of being a member of the European Community? Percentage of those polled who were in favor.



Do you think being a member of the European Community will improve the quality of your life? Percentage of those polled who answered "yes".



Source: IHT/CNN Poll

U.S. Imposes Rules On Wing De-Icing

By John H. Cushman Jr.

New York Times Service

WASHINGTON — Spurred by a crash that killed 27 people, the Federal Aviation Administration has imposed new rules intended to minimize the risk of accidents caused by snow and ice building up on the wings of jetliners.

The agency has now established guidelines on how long a plane can sit in freezing precipitation after its wings are washed down with anti-ice. In the past, pilots were simply forbidden to take off with ice, snow or frost on their wings.

USAir Flight 405 crashed during takeoff March 22 at La Guardia Airport in New York. Before the takeoff attempt, snow had been falling for about half an hour after the plane had been deiced at the terminal gate. The plane flipped

over, broke apart and skidded into Flushing Bay.

The federal agency said it would reorganize the way traffic controllers direct planes on the ground awaiting takeoff, cutting down the time that planes must wait after deicing. The changes are expected to take place before cold weather sets in.

Under the new guidelines, how long a plane will be allowed to wait between deicing and takeoff will depend on weather conditions at the time, what type and concentration of deicing fluid is used and other factors. Deciding what time limit applies to each flight will be up to the airlines and their pilots, not to traffic controllers or other airport officials.

The guidelines to pilots are presented in ranges, and because of varying conditions on each flight, even veteran passengers will not be able to know how long the plane or which they are flying should wait before it is safe to take off.

For example, when the temperature is a few degrees below freezing, and a three-quarters strength solution of antifreeze in water is used to deice a plane, the guidelines tell pilots that they may wait 15 to 20 minutes in snow before taking off, or 4 to 10 minutes in freezing rain. Pilots will be given detailed instructions about what kind of inspections to conduct.

CLINTON: On the Offensive

(Continued from page 1)

an even greater emphasis on fundamentals.

"The more complicated it gets, the simpler it gets," he said. "It means more discipline, more concentration, more repetition."

Mr. Clinton still faces critical hurdles, including the possibility of a make-or-buy debate or debates with Mr. Bush, further revelations about "character" issues and the need to win over voters who have doubts about him as a president.

And he and his advisers are still wrestling with most difficult political issue facing the campaign: where he stands on the new North American Free Trade Agreement. Mr. Clinton, who has straddled the issue all year, plans another long discussion of the issue with aides this week, and they expect a major speech on the subject within a week or so.

Aides also said Mr. Clinton was picking up the pace of his campaigning, after a period in which he drew criticism for coasting. While dismissing such criticism, aides acknowledged that the draft controversy had thrown them off stride and said the Arkansas governor's public schedule had been lighter than normal recently because of debate briefings and because he wanted some rest before the hectic final month.

While Mr. Clinton's advisers erode confidence, they appear anything but complacent. When Mr. Bush launched an ad last week lambasting Mr. Clinton for raising taxes in Arkansas, the Clinton team prepared a response a day later and shipped it to local television stations in key states. So far it has not aired because Clinton believes the spot has not dated aged him.

With Mr. Perot on the ballot in all 50 states and the District of Columbia, the re-entry of the Texas businessman would affect many of the states where the Democrat holds a lead, but Clinton advisers say their analysis shows that Mr. Bush could be hurt more.

"Right now Perot takes equally from both of us and leaves the race largely unaffected," said Stan Greenberg, Mr. Clinton's pollster. "It raises some troublesome questions for Bush in the South, but it's time for wait-and-see."

Part of the confidence in the Clinton camp stems from the campaign's belief that Mr. Bush missed opportunities over the past month when his campaign put more emphasis on Mr. Clinton's draft record than on the president's economic plan.

"They want to talk about anything but the economy, and the American people want to talk about only the economy," Mr. Kantor, the campaign chairman, said.

SPY: 'Mole' Sent Warsaw Pact's Deepest Secrets to U.S.

(Continued from page 1)

side to President Wojciech Jaruzelski and a liaison to Marshal Viktor G. Kulikov, commander of the Warsaw Pact in Moscow.

Colonel Kuklinski was court-martialed in absentia in 1984, convicted of treason and desertion for his acts during Poland's 1981-82 period of martial law, and sentenced to death. Five years later, in a general amnesty of martial law penalties after the Communists relinquished power, the sentence was reduced to 25 years in prison.

He agreed to discuss his clandestine activity at the request of The Washington Post, in Poland to respond to the attacks in Poland on his motives and his character. In more than 50 hours of interviews in recent months, Colonel Kuklinski said he did not consider himself an American spy or mole, bristling at the mention of the words. He said his target was the Soviet Union, which he viewed as an illegal occupier of Polish soil.

His eyes welled up with tears several times, particularly when he talked about the difficulty of maintaining personal freedom and dignity in the face of Communist rule. "I think I have to unveil what I have done," said Colonel Kuklinski, who is an American citizen. "My motivation. My goals. And the consequences of it. And let's judge based on what I have done."

His arguments carry no weight with his former superiors in Warsaw, who denounced him as a traitor in interviews in Warsaw.

"He knew the secrets of the kitchen," said General Jaruzelski, who is now retired. "What occurred was a double disappointment for me, first of all because of the consequences of his defection — military and political — and secondly because of my personal disappointment. Someone you trust is betraying you."

General Jaruzelski and others refused to accept the idea that Colonel Kuklinski had acted on ideological or patriotic grounds. In their minds, he must have been recruited, blackmailed and paid handsomely for his treason.

But Colonel Kuklinski said that was not true. He said he had made the first move, contacting a U.S. military attaché in Germany so he could speak with a soldier like himself. Even after the CIA took over the case, he said, he continually sought assurance that his information was going to the appropriate military officials.

He said he never asked for money and only left Poland because he thought his life was in peril. A retired U.S. officer confirmed that Colonel Kuklinski had never sought compensation or raised the question of defection.

"It never came up," the officer said. "He was on a mission. He wanted his country back." The CIA has provided financial support for Colonel Kuklinski, his

wife and two sons since their arrival in the United States.

As an aide of General Jaruzelski's, Colonel Kuklinski saw his stock continue to climb. At one critical point, he said, he turned down a generalship because it would have meant leaving general staff headquarters — the nerve center — for an outlying area.

During 1980 and '81, Colonel Kuklinski's nerve center took over the operational planning of martial law.

For nine months, he kept the CIA apprised, including the final version of plans to impose martial law. During a top-secret meeting on Sept. 15, 1981, he told officials he learned of a leak of some information to Solidarity and that the Interior Ministry had been ordered to find the source.

Colonel Kuklinski kept a low profile for the next few weeks but succeeded in smuggling out updates to the final martial law plans. In early November, he was called into a meeting with his superiors and was told there had been another leak. According to information passed from the Soviets, the CIA had obtained the plans.

At that point, Colonel Kuklinski said, it was time to get out. He immediately signaled the CIA that he and his family had to leave. The escape, which he declined to discuss, was fraught with risk but was successful.

TAGGERS: In New York, Gaining Against Graffiti

(Continued from page 1)

noted above, do not buy — it has not worked so well.

As a result, the Chicago City Council voted this spring to ban spray-paint sales, period.

And the New York City Council is weighing a measure to ban the manufacture, sale, possession and use of aerosol spray-paint and broad-tipped magic markers, a measure proposed last spring by the Bronx Borough president, Fernando Ferrer. Clint Roswell, a spokesman for Mr. Ferrer, said paint companies have objected.

Rather than deprive writers of the chance to strike, businessmen in the Bayview, Queens, section of New York City have been trying to catch them in the act. To bait the snare, volunteers paint a marred wall spanking white, said Thomas Virgilio, the president of the Chamber of Commerce and the scheme's inventor.

Then, late at night, a video camera, hidden in a nearby storefront or a parked car, clicks on and films the wall until near dawn. When graffiti appear, Mr. Virgilio reviews the tape — and then flashes the

fuzzy shots of culprits around town.

"These people are generally not liked by their peers, so it's very simple to show their classmates a picture of them, and they say, 'Yeah, I know who this is,'" he said. He then calls the parents.

"Their parents give them a stern beating or a talking to, whatever."

Mr. O'Leary declined to say how many transit police officers are assigned to graffiti work.

"We don't think it's in the interest of the system to give that number out," he said. He cautioned against interviewing and quoting any vandals, who do what they do, he said, because they are starved for celebrity. "You're playing right into their hands," he warned.

One vandal seemed to think the relationship with the police was more love than hate. "Deep down in their hearts, we know they love us, because we keep them employed," he said. "They could be chasing drug dealers who would shoot back at them."

'They're trying to take away hope,' said a teen-aged New York City vandal, who signs himself 'SERE.'

and it stops," he said. "But in other cases it keeps on going." After two years and about 30 vandals nailed, he estimated that he has a 50 percent success rate. But he also estimated that a new generation of vandals appears each year.

Most efforts to combat graffiti tend to have a certain beggar-thy-neighbor quality. Rather than catch vandals or stop them cold, they divert them to other targets.

For example, New York City plans to put up six newstands this winter along Manhattan's Avenue of the Americas to test an anti-graffiti design.

The newstands, which cost \$20,000 each, are made of perforated steel — like giant inverted colanders. The hope is that a surface full of holes will present a less attractive canvas than the metal, plywood or brick walls of other newstands.

But the grandest diversion was that of the New York City Transit Authority, which after some ugly

shots of culprits around town.

"These people are generally not liked by their peers, so it's very simple to show their classmates a picture of them, and they say, 'Yeah, I know who this is,'" he said. He then calls the parents.

"Their parents give them a stern beating or a talking to, whatever."

Mr. O'Leary declined to say how many transit police officers are assigned to graffiti work.

"We don't think it's in the interest of the system to give that number out," he said. He cautioned against interviewing and quoting any vandals, who do what they do, he said, because they are starved for celebrity. "You're playing right into their hands," he warned.

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ACROSS

- 1 Musical Home
- 2 Make eyes at
- 3 Vetches
- 14 Romance lang.
- 15 Musical group
- 16 Freshwater fish
- 17 Start of a quip
- 19 Heath
- 20 Range animal
- 21 Pine Tree State
- 22 Word with bag or job
- 23 Dated
- 24 New England prep school
- 27 Quip: Part II
- 30 Tries to find
- 31 Range animal
- 32 Year in the papacy of Innocent I
- 33 Major endma
- 34 Choreographer Alley
- 35 Wan
- 36 German interjection
- 37 Part of T.S.E.
- 38 Kind of ego
- 39 Quip: Part III
- 41 Elegant
- 42 Soles' brothers?
- 43 Fortress protection
- 44 Puccini heroine
- 45 Accomplish
- 46 Chutzpah
- 50 End of quip
- 51 A musical Count
- 52 Arabian port
- 53 Military group
- 54 McCarthy sidekick
- 55 Flat tableland
- 56 Correspondence courtesy inits.

DOWN

- 1 Kind of bean
- 2 Vingt — (blackjack)
- 3 Political cartoonist
- 4 Extranse cigar
- 5 Indolent
- 6 Fruit of the vine
- 7 Kind of drawing
- 8 Dawn goddess
- 9 Betrayal of country
- 10 A past tense of Greek verbs
- 11 — and dogs (teemed)
- 12 — homo
- 13 — Na Na of show biz
- 18 Coagulates
- 21 Massenet opera
- 22 Assume as fact
- 24 Defraud
- 25 Rabbits' coop
- 26 Free
- 27 Dislodged turf on a golf course
- 28 Loafs
- 29 — which way (disordered)
- 31 Great joy
- 34 Bastard wing
- 35 Duckbill
- 37 Ousted
- 38 Frighten
- 40 —, That's My Baby, 1925 song
- 41 Blunt-ended cigar
- 42 Extranse cigar
- 43 Symbols of authority
- 44 — Van Hung, Vietnamese Prime Minister, 1965
- 45 Grant
- 46 Sir Charles's lady
- 47 Govt. information arm abroad
- 48 Head, in La Have
- 49 An ABC rival
- 50 Grand Coulee, for one

Solution to Puzzle of Sept. 25

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LORDPETERWIMSEY
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ELATE EAST BAA
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New York Times, edited by Eugene Malachuk.

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Seoul Chief Begins First Beijing Visit

Roh Has Eye on Pyongyang

By James Sterngold
New York Times Service

BEIJING — President Roh Tae Woo of South Korea arrived in China on Sunday for the first state visit between two former enemies, and he quickly made it clear that he hoped to use Beijing to help remove the last vestige of the Cold War in northern Asia, the bitter division of the Korean Peninsula.

Mr. Roh landed here Sunday afternoon with an entourage of nearly 500 government officials, business leaders and journalists for what is regarded as a landmark in creating a new order in the region. It was a day of powerful symbols, underscoring how swiftly the political fault lines in the region were being reshaped by the Asians, without the West mediating or guiding the process, as had been the case for most in the Cold War.

China and South Korea normalized relations last month, in what was a coup for Seoul. The opening ended four decades of hostility that followed Beijing's intervention in the Korean War alongside the hard-line Communist government of North Korea.

The normalization capped a four-year Korean diplomatic offensive, both to isolate the regime in Pyongyang and to pressure it to begin serious negotiations on reunification. Talks have dragged on intermittently for several years with no signs of a breakthrough.

Seoul established relations with Moscow in 1990 and last September gained entry to the United Nations, at the same time as Pyongyang. The North Koreans had always insisted that their government was the only one with the right to a UN seat.

Mr. Roh set out his agenda when he landed here Sunday.

"After the UN and Moscow, we now have reached Beijing, which is the last gate leading to Pyongyang," he said. "With this, we have

become new friends of two nations neighboring with North Korea."

South Korea has sought to pressure the North in several ways. It has tried to obtain the cooperation of Russia and China, North Korea's two most important allies during the Cold War, in persuading Pyongyang to halt a program to develop nuclear weapons and open all its nuclear installations to mutual inspections.

Seoul has also tried to use Pyongyang's former allies to demonstrate the benefits of economic reform. North Korea's isolated and tightly controlled economy is believed to be crumbling, in part because its former Communist trading partners are now demanding that dealings be conducted in hard currency. Until recently China and the Soviet Union had sold essential goods to North Korea, such as oil, on concessionary terms and often in barter deals.

While North Korea is likely to be a key topic during the four-day visit, in which Mr. Roh will meet with China's senior government leaders, business is also expected to occupy an important place.

Mr. Roh was accompanied by 37 of South Korea's top businessmen, as well as his top trade officials. The delegation that met him at the airport was led by China's Minister of Foreign Economic Relations and Trade, Li Lanqing.

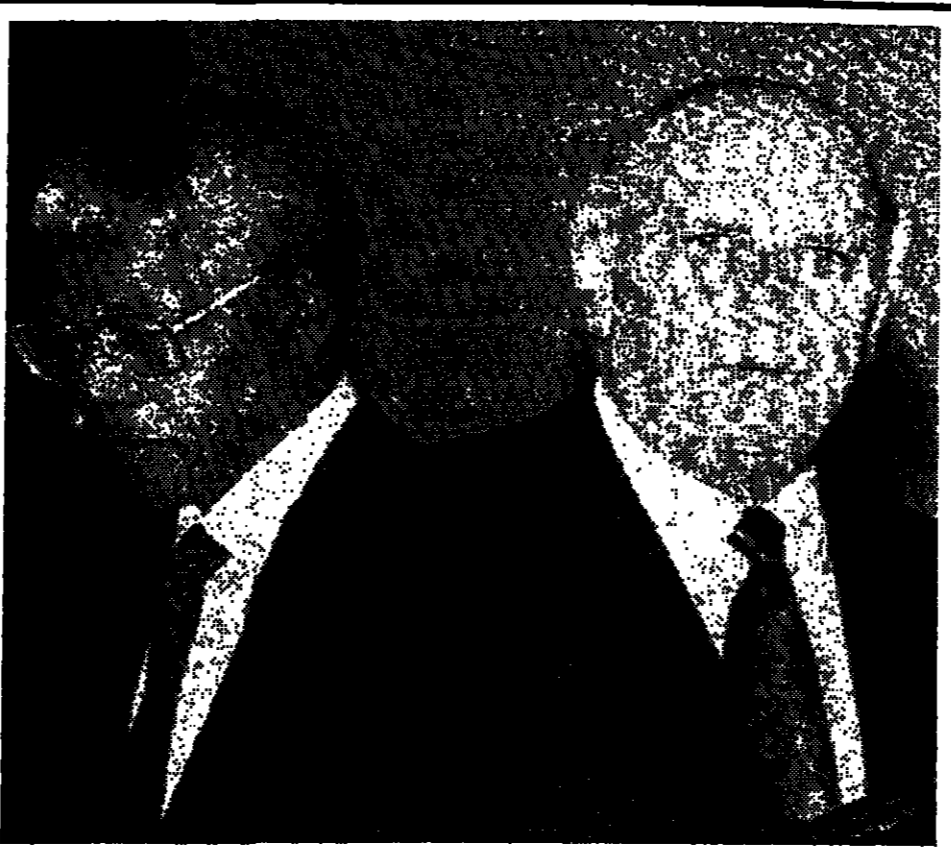
The two countries are expected to sign routine agreements establishing official trade and investment ties during the visit, but that will lag by several years their burgeoning business relationship.

Two-way trade totaled \$5.8 billion last year and is officially forecast to reach \$10 billion in 1992. Korean companies have invested more than \$165 million in China.

A quiet undercurrent of the visit has been that the Asians must play a greater role in building a framework for stability in this economically vibrant region at a time when the United States is perceived to be slowly withdrawing.

Both the Chinese and Koreans are concerned that the Japanese, a major rival to both countries for influence in Asia, might be tempted to fill the vacuum they perceive to be developing.

That concern was evident last month when President Roh delivered a speech officially recognizing the opening of diplomatic relations with China. Together, he said, China and South Korea would remake the political order in East Asia, conspicuously neglecting to mention either Japan or the United States.



Nelson Mandela, head of the African National Congress, listening to a speech by President Frederik W. de Klerk in Johannesburg. The men pledged to seek national unity "with all urgency."

Some South Africa Progress

De Klerk and Mandela Ready to Resume Negotiations

By Paul Taylor
Washington Post Service

JOHANNESBURG — President Frederik W. de Klerk and Nelson Mandela, president of the African National Congress, have pledged to move "with all urgency" toward the creation of an interim government of national unity and the democratic election of a body that would write a new constitution for South Africa.

The declaration of intent to push the country's stalled political transition forward as rapidly as possible came in a meeting Saturday that brought to an end the three-month suspension of formal negotiations between South Africa's white-minority government and its largest black political organization.

"There is no reason why a political settlement should not be achieved within a relatively short period," Mr. Mandela said after the eight-hour meeting.

"This will pave the path to peace, to the economic recovery we all yearn for."

[Chief Mangosuthu Buthelezi, who as head of the Inkatha Freedom Party is the country's second most powerful black leader, broke off talks with the government on Sunday, The Associated Press reported from Johannesburg. Chief Buthelezi said he and his Zulu followers and not been consulted and therefore would not abide by agreements reached at Saturday's talks.

"My view is that negotiation for the future constitution for South Africa cannot go ahead,"

Chief Buthelezi told supporters in a township outside the eastern port city of Durban. "I will withdraw from further discussions with the government until I have had the opportunity to consult widely on the way forward."

Mr. de Klerk said after his talks with Mr. Mandela that a "firm basis had been laid for the resumption of negotiations" but cautioned that there was still a divergence of views on some key issues and that other political groups would have to be consulted at every step.

One member of the government's 16-man negotiating delegation, Secretary-General Stoffel van der Merwe of the National Party, said he foresaw only a "faint possibility" that the first phase of an interim government could be in place before the end of this year.

Nonetheless, the mere reopening of the lines of communication that the ANC had unilaterally cut in June following a breakdown in multiparty constitutional talks and a massacre at Boipatong was hailed by Mr. de Klerk as "a milestone." It was, from the government's point of view, the most tangible benefit of the meeting.

The price of talk did not come cheap.

The ANC used the meeting to extract a number of long-sought concessions from the government, including the immediate release of 150 political prisoners and the phased release by mid-November of as many as 300 more; the banning of the public display of dangerous weapons, and the fencing-in of men's hostels that have been used as bases for violent attacks in black townships.

U.S. Says Serbs Slew 3,000

By Michael R. Gordon
New York Times Service

WASHINGTON — The United States has obtained reliable information that "as many as 3,000" Muslim men, women and children were killed in May and June at Serb-run detention camps near the Bosnian town of Brcko, according to several senior administration officials.

Reports of mass killings in Bosnia have been circulating since July, but the officials said this was the first time they had developed independent information corroborating such reports.

They said that Washington turned over evidence to the United Nations last week detailing alleged war crimes in Bosnia-Herzegovina, and Lawrence S. Eagleburger, the acting secretary of state, said that the United States was supporting a UN resolution to create a war-crimes commission.

Mr. Eagleburger said late Friday that Washington had heard other "disturbing reports," which it is in the process of investigating.

"If in fact they prove to be true, we want to move the resolution as fast as we can," he said.

Mr. Eagleburger did not disclose the nature of the evidence.

But administration officials said it pertained to new information on killings at Brcko.

"We believe we have good information," a senior administration official said. "It needs to be looked into some more, and we are turning the information over to the UN Human Rights Commission for investigation. It leads to the conclusion that in various camps and detention centers in May and June as many as 3,000 people were killed."

The information is based on interviews with survivors and other intelligence sources.

The officials said that the information indicated that most of the killings occurred during May and June, when Serbian forces took over and occupied Brcko.

The officials said they believed that the Serbs moved into the town in April, taking over a police station and dismissing Muslim policemen and other Muslim officials.

Then roving bands of Serbs went through Brcko, arresting and detaining the Muslims.

The Muslims were held in a number of centers.

Some were held in a brick factory and others at a pig farm. The conditions in the detention camps were bad, and the Muslims were beaten and tortured.

The officials said that according to some accounts, as many as 50 Muslims were killed at a time. The bodies were reportedly transported at night.

Some were said to have been dumped in the nearby Sava River, others buried in a mass grave.

Other bodies reportedly were destroyed at a plant where animal remains are boiled to produce lard.

Attacks Near Sarajevo

Rival sides in Bosnia's civil war on Sunday reported heavy attacks on towns in the north and west of the former Yugoslav republic. Reuters reported from Sarajevo.

Medical officials in Sarajevo said that 34 people had been killed and 199 wounded in Bosnia-Herzegovina since Saturday, but the incomplete figures did not cover some of the worst-hit areas.

The Tanjug news agency, quoting a Bosnian Serbian military statement, said that Bosnian Muslim forces had suffered heavy losses of men and equipment.

Soviet Union's Collapse Tests China Mapmakers

The Associated Press

BEIJING — Chinese map makers are struggling to meet demand for maps of the former Soviet republics amid intense border trade following the collapse of the Soviet Union, a newspaper said Sunday.

The China Daily said the China Cartographic Publishing House, the only Chinese producer of maps of the Commonwealth of Independent States, is rushing to print 100,000 maps to satisfy demand.

Iliescu Seen Facing Runoff for Presidency

The Associated Press

BUCHAREST — Ion Iliescu, the former Communist who has been Romania's president since late 1989, outpolled his main challenger in an election Sunday but failed to avoid a runoff, projections showed.

The projections broadcast by state television showed Mr. Iliescu winning 48 percent of the vote to 33 percent for the opposition Democratic Convention candidate, Emil Constantinescu.

A candidate has to win 50 percent for outright victory; a runoff would be held Oct. 11.

Sunday's presidential and parliamentary elections were the second since the December 1989 revolution

that toppled the Marxist president Nicolae Ceausescu, and were considered a referendum on Mr. Iliescu.

The president, 62, who won in 1990 with 85 percent of the vote, has lost much support because of the unemployment and inflation that followed his program of economic change.

His party, the Democratic National Salvation Front, however, was projected to have won 27.5 percent of the vote for the 471-seat parliament, ahead of the Democratic Convention with 23 percent.

Nine other parties were projected as winning between 3 percent and 11 percent each.

Ralph Manheim, Translator, Dies

New York Times Service

Ralph Manheim, 85, for nearly 50 years a prolific and widely acclaimed English translator of major German and French works, died of complications of prostate cancer Saturday at his home in Cambridge, England. Among the works he translated were those by Adolf Hitler, Sigmund Freud, Marcel Proust, Bertolt Brecht and Günter Grass.

Mr. Manheim won a John D. and Catherine T. MacArthur Foundation "genius" award in 1983. He also won a National Book Award, a Guggenheim Fellowship and honors from PEN.

He likened his work to acting, saying a translator's challenge was "to impersonate his author." His nearly 200 books and other works

took many forms, including plays, novels, poetry, children's stories and essays.

Mr. Manheim's career began in 1943 with his translation of Hitler's "Mein Kampf."

He later translated all of Mr. Grass's books, Freud's letters to Jung, selected letters of Proust, Paul Klee, Martin Heidegger, Peter Handke, Louis-Ferdinand Céline, Hermann Hesse, Karl Jaspers, E. T. A. Hoffmann's "Nutcracker," Brothers Grimm fairy tales, and transcripts of Adolf Eichmann's interrogations.

William F. Rockwell Jr., 78, Aerospace Executive

NEW YORK (NYT) — Willard F. Rockwell Jr., 78, who inherited

his father's companies and expanded them into a modern aerospace conglomerate, Rockwell International Corp., died of cancer Thursday in Pittsburgh.

Mr. Rockwell, who was known as Al, served as the president, chairman and chief executive of the company. It manufactures spacecraft and rocket propulsion systems, electronic industrial automation products, web presses and automotive components.

Cardinal Jacques Martin, 84, a Frenchman who served under six popes, died Sunday in Rome.

Dennis P. Timm, 33, European editor of Women's Wear Daily, died Wednesday in Paris of an AIDS-related illness.

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Switzerland S.F.	2,900	1,600
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BUSINESS International Herald Tribune, Monday, September 28, 1992

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CAPITAL MARKETS Italy's Tax Change Wreaks Havoc in Eurobond Arena

By Carl Gewirtz International Herald Tribune PARIS—An avalanche of Eurobonds cascading out of Italy is creating havoc in the pricing structure of the international capital markets...

Paribas Capital Markets said the equivalent of \$40 billion worth of foreign bonds was affected by the tax change. To put that figure in some perspective, it is equal to almost half the quarterly average of non-equity-related issues floated on the market this year.

Although it had been well known that Italy planned to remove the tax exemption it had granted on the interest payments of a handful of supranational issues...

Rumors about the impending move on so-called repos began circulating late Thursday, Sept. 17, and the action was officially announced late the following day.

The repo market has exploded this year, tripling to 250 trillion lire (\$201 billion) between January and September, Paribas said.

Apparently, the Italian banking community had been transforming long-dated bonds—either floating-rate notes or fixed-coupon paper that had been swapped into floating-rate instruments—into three- or six-month instruments to suit customers who were looking to deploy spare cash but had not been prepared to make a long-term investment.

Italian banks are estimated to have pocketed sizable profits. They reportedly sold repo paper to customers at a yield of 1 to 1.5 percentage points (100 to 150 basis points) below the London interbank offered rate, the benchmark international money-market rate.

The banks, meanwhile, were receiving interest around 50 basis points below LIBOR on the bonds, thus earning between 50 and 100 basis points of profit.

But with the new repo tax, what had been a money machine for the banks overnight became a nightmare.

As the repos mature, the banks are obliged to take back the paper. This blows up their reported assets by recording on their books what had been an off-balance-sheet item—at a time when all banks are struggling to meet the stiff new capital adequacy requirement that comes into effect at the end of this year.

(Straight bank loans to governments in the Organization for Economic Cooperation and Development carry a 10 percent weighting, and securities issued by those governments carry a 10 percent weighting, and if

See EURO BONDS, Page 11

Bank of England Passes U.S. Machine Tool Orders Slump BCCI Claims to Police

LONDON—The Bank of England said Sunday that it has called in fraud police to investigate allegations that several of its employees took bribes from executives of the failed Bank of Credit & Commerce International.

"We passed the allegations on to the criminal authorities in view of the seriousness of what was alleged," a Bank of England spokesman said.

A report in the Independent on Sunday newspaper said the allegations were contained in sworn evidence to an inquiry led by Lord Justice Bingham into the Bank of England's supervision of BCCI, which collapsed in July 1991.

The Bank of England spokesman said the bank had made its own investigation into the allegations but had found nothing to substantiate them. He refused to elaborate.

The newspaper report said Brian Sedgemore, a deputy of the opposition Labor Party, had called on the director of public prosecutions to pursue the allegations.

BCCI, which had branches around the world, was closed down last year amid allegations of massive fraud. Since the closure, law-enforcement officials have accused the bank of bribing officials throughout the Third World to attract government deposits to BCCI.

Broker Accuses Citibank A stockbroker has accused Citibank of insider trading and funding brokers to deliberately force down stock prices, triggering a huge financial scandal in India, news agencies reported from New Delhi.

A Citibank executive denied the accusations by Harshad Mehta, the main suspect in the scam who was recently released from jail. In a television interview, Mr. Mehta alleged that a group of brokers financed primarily by Citibank operated a bear cartel, getting money from government loans at "very cheap rates" and using it to fund "the losses of these bears."

The newspaper report said Brian Sedgemore, a deputy of the opposition Labor Party, had called on the director of public prosecutions to pursue the allegations.

BCCI, which had branches around the world, was closed down last year amid allegations of massive fraud. Since the closure, law-enforcement officials have accused the bank of bribing officials throughout the Third World to attract government deposits to BCCI.

Washington — U.S. machine tool orders fell 23 percent in August from July, a symptom of the weak economy and plunging factory employment, according to a report prepared for release on Monday.

Compared with a year earlier, orders declined 33 percent last month, according to the Association for Manufacturing Technology, a trade group that compiles the monthly statistics. However, year-to-date orders were 1.9 percent higher than in the same period of 1991, the trade group said.

The report, which follows a 0.1 percent drop in August durable goods orders reported last week, portrays "inherent weakness in the economy," said Marco Bubic, an economist at Evans Economics.

The statistics also come in the aftermath of government unemployment figures that showed almost 100,000 factory workers were laid off in August.

The economy "is not a ball of fire," said Patrick McGibbon, the trade group's statistical director. Instead, it is slowly recovering from the recession, he said.

Orders for machine tools, which are devices used to cut or shape metal, are a barometer of industrial production and capital spending by factory owners.

August metal-cutting tool orders decreased 38.9 percent from a month earlier, to \$94.45 million. Metal-forming tool orders increased 24.6 percent, to \$63.25 million.

Machine tool shipments decreased 9.6 percent, to \$166.25 million, while the backlog of machine tool orders decreased about 0.5 percent, to \$1.461 billion.

Pessimism in Germany New orders in Western Germany's manufacturing industry fell noticeably in August from July, and the sector is now "considerably more pessimistic than previously" about export prospects for the next six months, according to the Ifo Institute for Economic Research, Ifo said.

Western Germany's construction sector reported "generally satisfactory" business conditions in August, the research institute said. But business confidence in the sector for the second half has fallen considerably, it said.

Other former Soviet republics by as much as 50 percent next year while maintaining sales to the West for hard currency.

The step was considered necessary for saving the Russian oil industry, which has been operating at a loss because of soaring costs.

To meet its domestic demand, Russia will cut its exports to other republics in half, to 245 million to 280 million barrels next year, Interfax quoted Mr. Nechaev as saying. Russia will maintain its current level of exports to Western and other countries at about 315 million to 350 million barrels, he said.

Russian oil output is expected to fall from 3.15 billion barrels this year to between 2.16 billion and 2.24 billion barrels in 1993, Mr. Nechaev said, citing outdated equipment, economic chaos and depleted reserves.

On Saturday, Mr. Nechaev said Russia would slash oil exports to unprofitable state businesses. The central bank is controlled by the relatively conservative Parliament.

Government ministers have said a tighter monetary policy would enforce discipline on factory managers and eventually improve productivity by driving inefficient plants into bankruptcy.

They have also warned that a continuation of the Soviet-era policy of easy credit was undercutting the ruble and had led the country to the brink of hyperinflation. The dollar has risen to 248 rubles from 135 in July, and Mr. Nechaev said inflation in September was between 3 percent and 5 percent a week.

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Other former Soviet republics by as much as 50 percent next year while maintaining sales to the West for hard currency.

The step was considered necessary for saving the Russian oil industry, which has been operating at a loss because of soaring costs.

To meet its domestic demand, Russia will cut its exports to other republics in half, to 245 million to 280 million barrels next year, Interfax quoted Mr. Nechaev as saying. Russia will maintain its current level of exports to Western and other countries at about 315 million to 350 million barrels, he said.

Russian oil output is expected to fall from 3.15 billion barrels this year to between 2.16 billion and 2.24 billion barrels in 1993, Mr. Nechaev said, citing outdated equipment, economic chaos and depleted reserves.

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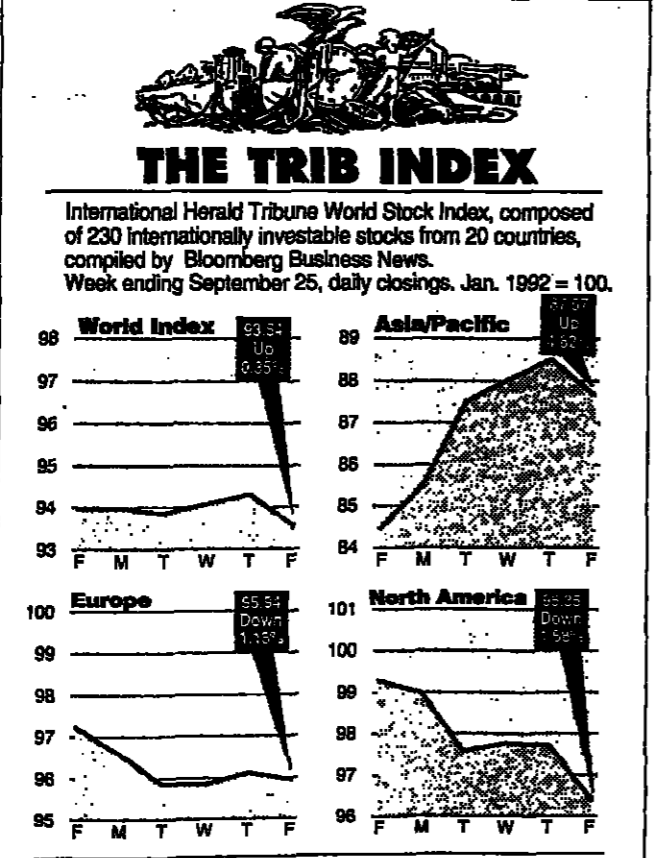
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Industrial Sectors/Weekend close table with columns for Sector, 9/25 Close, % Change, 9/24 Close, and % Change.

The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

CURRENCY RATES table with columns for Currency, Par \$, and % Change.

Other Dollar Values table with columns for Currency, Par \$, and % Change.

Forward Rates table with columns for Currency, 30-day, 60-day, 90-day, and % Change.

Source: IHO Bank (Amsterdam); International Bank (Brussels); Banca Commerciale Italiana (Milan); Banco Exterior (Madrid); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); IMF (S.D.R.); Other data from Reuters and AP.

Vladivostok Notebook Siberian Shipper Sails Free

VLADIVOSTOK, Russia — While many executives at Russia's state-run enterprises fret that privatization will mean massive layoffs or bankruptcy, the boss at Russia's leading shipping company in the Far East are giddy at the prospect of getting rich once the government gets out of its way.

The Far-Eastern Shipping Co., whose fleet of 176 vessels calls on more than 100 countries, is remarkable because it has long been tied more with free markets outside Russia than with the state-controlled system at home. Its top management, many of whom have trained abroad and speak English, say the company's net profit last year was about \$200 million, not counting, however, tens of millions of unpaid debt by Russian companies.

After the company goes private Nov. 1, management plans to exploit its new freedom. "Before, the first priority was to provide social benefits for employees," said deputy managing director Evgeny Ambrosov said. "Now the sole target is to make money. We don't have to think about workers or individuals."

Mr. Ambrosov is not so much callous as keen to delineate a new philosophy. Greater freedom, including the option of not doing business with state enterprises, will allow the company to double or triple salaries.

Although the pay increase will be consumed quickly by inflation, the 15,000 employees could make windfall gains by buying shares in the company.

The gains stem from the problem of assessing the market value of a company created under socialism, when prices were artificial. Making matters more difficult, there is an amount of some \$100 million of hard currency owned by the company that has been frozen indefinitely by Moscow.

When the company invested the \$100 million, for example, one dollar was worth 1.67 rubles; now the dollar buys 248 rubles. If the company, including its frozen cash and the fleet, which includes some of the world's most advanced ice breakers, were assessed at today's exchange rate, the value of each of the 850,000 shares would soar, putting the share price out of reach of the employees and preventing them from buying a controlling stake.

The managers were so keen to keep a controlling stake of 51 percent, lest the company be broken apart that they offered to let Moscow keep the frozen money, rather than assess it at the current rate.

Employees were elated last week when Moscow agreed to use an exchange rate below 2 rubles to the dollar and not to go back on its promise of returning the money someday, Mr. Ambrosov said.

The valuation of the company will now be low enough to allow each employee to buy 34 shares, at a total cost of 58,000 rubles (\$234). Things will be made easier by the use of 10,000-ruble vouchers the state is giving all Russian citizens. Had the company's cash and assets been valued at real levels, employees would not have been able to buy a controlling interest.

The windfall profits could come after the shares are listed on the Vladivostok stock market. With the government keeping 20 percent, the remaining 29 percent will be sold to the public. But the share price should soar 100 times over that paid by employees since the stock market will reflect the free-market value of the company, Mr. Ambrosov said.

"All employees are very happy and ready to work in a private company," he said.

Social Monetary Policy Although the Russian government is determined to apply discipline to lending policies that have fed inflation and undercut the ruble, a regional president of the Central Bank of Russia has more pressing concerns.

"Our main task is to avoid a civil explosion," said Victor V. Rudko-Silvanov, president of the bank's unit in Vladivostok which is responsible for the Primorski Region. "Winter is approaching and we must choose what reforms we can afford."

Pressure from conservatives forced the government to relax austere monetary policies earlier this year, leading to a sharp increase in the inflation rate, which doubled to a monthly 17 percent in August.

It is not clear what effect the compromise announced Sunday between the Russian government and the central bank to curb credit will have locally, but the dispute centers around large, inefficient state companies. The central bank here is lending money at the bargain-basement rate of 8 percent per year for housing construction and agricultural projects. Secondary priorities, including production of consumer goods and high technology, are left funds at 80 percent annually.

Mr. Rudko-Silvanov readily admits that these preferential lending rates are unrealistic and deprive other sectors of badly needed cash but says there is little choice.

"If the ship is sinking, it's better to save the crew," he said.

Russo-Japanese Venture Neither Gennadiy R. Zakamenny nor his Japanese business partners can speak one another's language but their joint venture will soon open a warehouse adjacent to Vladivostok's bustling port.

The Japanese partner, Ralse Corp., a construction and real estate concern based in Sapporo, has put up half the joint venture's capital of 20 million yen (\$166,000). The Japanese have also agreed to forgo taking any profits for three years and are preparing to send used construction equipment, which would be ultra-modern by Russian standards.

The hope is that as Vladivostok's economy develops, the venture's partners will be able to steer Japanese, American and South Korean companies into using the warehouse. They will pay their bills in Japan in yen, providing a safe place to deposit hard currency. Mr. Zakamenny will take his share in cash, or on a barter basis.

Steven Brill

Attention Czechoslovak Shoppers K mart Aims to Take an Instant Lead in Eastern Europe

By Kara Swisher Washington Post Service PRAGUE — K mart Corp. is about to invade Eastern European retailing in a big way.

If all goes as planned, the big red "K" will hang over the center of downtown Prague and throughout the country by next year.

"Yes, yes, of course there will be blue-light specials," said Joseph Thomas, executive vice president of K mart's international division, referring to the imprudent in-house sales that have been a hallmark of K mart.

K mart executives are making an initial investment of about \$120 million to purchase and refurbish 13 large department stores scattered in key cities across Czechoslovakia and acquired in May. The company envisions dozens more stores in Bohemia, Moravia, Slovakia and Silesia.

It is a bid by the United States' second-biggest retailer to instantly dominate a scene where there is weak competition from independent department stores, and not one major chain. That means no Wal-Mart, K mart's nemesis in the United States.

In: Time Out: Terminals. Faster and closer to your destination and back. As from today you can plan and finalise your own business trip yourself. Jet Aviation Business Travel Guide gives you the flight times from important European Centres to 760 destinations in 49 countries in Europe, North Africa and the Middle East.

IB 1735 BLANCPAIN The ultra-slim watch. SINCE 1735 THERE HAS NEVER BEEN A QUARTZ BLANCPAIN WATCH. AND THERE NEVER WILL BE. MEISTER UHREN ZÜRICH

NASDAQ NATIONAL MARKET

Table with columns: OTC Consolidated trading for week ended Friday, Sept. 25. Includes sub-sections A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z. Columns include Symbol, Sales, High, Low, Close, Net Change.

Table with columns: Sales, High, Low, Close, Net Change. Multiple columns of stock data.

NEW EUROPEAN SECURITY: FROM EAST-WEST CONFRONTATION TO REGIONAL INSTABILITY

ROME, OCTOBER 23, 1992

CO-SPONSORED BY THE INTERNATIONAL HERALD TRIBUNE & CORRIERE DELLA SERA

- The conference will feature keynote addresses by:
● Giuliano Amato, Prime Minister, Italy
● Salvo Andò, Minister of Defense, Italy
● Emilio Colombo, Minister of Foreign Affairs, Italy
● Manfred Wörner, Secretary General, NATO

REGIONAL INSTABILITY: THE NEW ENEMY

Moderator: Joseph Fitchett, Political Correspondent, International Herald Tribune
Union or Fragmentation?
● Hans-Dietrich Genscher, former Minister of Foreign Affairs, Federal Republic of Germany

The New Geopolitics of Europe
● Zbigniew Brzezinski, Counselor, Center for Strategic and International Studies and Professor, Johns Hopkins University
North-South Relations in the Mediterranean: A New Menace?
● Javier Perez de Cuellar, former Secretary-General, United Nations

NEW STRATEGIES FOR STABILITY

Moderator: Arrigo Levi, Columnist, Corriere della Sera
The Search for a Model of Crisis Management: Yugoslavia as a Test Case
● Gianni de Michelis, Deputy Leader of the Socialist Party and former Minister of Foreign Affairs, Italy

The Contribution of NATO in the Search for European Security
● General John M Shalikashvili, Supreme Allied Commander, Europe, SHAPE
New Instruments for Collective Security: Efforts to Coordinate NATO, the CSCE, the UN and WEU
● Pierre LeLouché, Advisor to Jacques Chirac, Paris

EAST & WEST: SECURITY & CONSENSUS

Moderator: Luigi Caligaris, Defense Correspondent, Independent, Rome
After the Wall
● Alexander Yakovlev, former Advisor to Mikhail Gorbachev

Security in Eastern & Central Europe
● Jiri Dienstbier, former Minister for Foreign Affairs, Czech and Slovak Federal Republic
The Defense Industry in the New European Context
● Riccardo Perissich, Director General, Industrial Affairs & the Internal Market, EC

REGISTRATION INFORMATION: The fee for the conference is £395.00. This includes dinner on Thursday, October 22, lunch, a cocktail reception and all conference documentation...

REGISTRATION FORM: To register for the conference, please complete the form below and fax it to Jane Blackmore, International Herald Tribune, 63 Long Acre, London WC2E 9JH. Tel: (44 71) 836 4802. Fax: (44 71) 836 0717.

CONFERENCE LOCATION: Le Grand Hotel, Via Vittorio Emanuele Orlando 3, 00185 Rome, Tel: (39 6) 4709. Fax: (39 6) 474 7307. To reserve accommodation at a preferential rate, please contact Eleonora Kamener in the reservations department...

Registration form fields: Title (Dr. Mr. Mrs. Ms. Miss), First Name, Family Name, Position, Company, Address, City, Country, Telephone, Fax.

Herald Tribune CORRIERE DELLA SERA

مكتبة الامم

Last Wed

(Continued on page 13)

صكنا من الاصل

New International Bond Issues

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price and week, Terms. Includes sections for Floating Rate Notes and Fixed-Coupons.

Fed to Study Jobs Data Key for U.S. Bond Market

Treasury 'Squeeze'

By Jonathan Fuerbringer
NEW YORK — Following three weeks of losses, the U.S. government bond market is looking to the report on U.S. employment for September as the catalyst for a possible reduction in interest rates.

NEW YORK — A squeeze on seven- and 10-year Treasury notes has become tight enough to prompt the Federal Reserve Bank of New York to collect information on dealer positions and study the dynamics of the shortage of securities.

U.S. CREDIT MARKETS

possible easing in the Bundesbank's tight monetary policy.
This would have cheered other European Community countries that have been precluded from lowering their interest rates because of fear that their currencies would weaken against the Deutsche mark.

The key question is how to define the extent of the weakness in the U.S. jobs data that would result in Fed action, economists said.

"I think the news has to be pretty bad, simply because of the long-standing Fed policy to be as inactive as possible in October to remove the Fed from any partisan deliberations," said Neil Soss, chief economist at First Boston Corp.

MUTUAL FUNDS

Table of mutual fund performance with columns: Fund Name, Bid, Ask, and various performance metrics.

Two traders, who asked not to be identified, said Yamachi International, a primary dealer, was at the center of the shortage of seven-year notes. But Scott E. Pardee, co-chairman of Yamachi, dismissed the accusations as finger-pointing.

Shop: Instant Lead

nomix reforms in the region and seemed most hospitable to Americans.
After it bought the stores, a test of U.S. products such as disposable diapers and women's apparel proved wildly successful.

EUROBONDS: Italy's Tax Change Wreaks Havoc

(Continued from first finance page) those securities are denominated in a foreign currency the weighting is 20 percent.

price bonds is the spread, or the difference in yield, compared with U.S. government bonds.

6 1/2 percent. Bankers had been expecting to price the issue at a spread of 37 basis points to comparable U.S. Treasuries.

FRANC: Will Germany Cut Rates?

(Continued from page 1) money-market policy-making the Bundesbank meets Friday, and Mr. Merkow is expecting a reduction one-half to one percentage point the Lombard rate.

weaken the dollar. But Mr. Chertkov said he believed that as long as the dollar stayed above 1.45 DM, "it's out of its downtrend," and out of trouble.

Citibank securitized credit-card receivables via \$1.25 billion of standard floating-rate notes rated triple-A and priced to offer holders 33 basis points over LIBOR.

Euromarts At a Glance

Table with columns: Eurobond Yields, Weekly Sales, and Libor Rates.

Last Week's Markets

Table with columns: Stock Indexes, Money Rates, and Libor Rates.

Advertisement for Dunhill International cigarettes, featuring a large image of a Dunhill pack and the text 'Internationally acknowledged to be the finest cigarette in the world'.

Taiwan Moves Aimed At Reviving Exchange

Compiled by Our Staff From Dispatches

TAIPEI — Taiwan's central bank announced measures on Saturday to bolster buying interest in the nation's battered stock market, just hours after the benchmark weighted price index of the Taiwan Stock Exchange hit a 20-month low in weekend trading.

The bank said it approved a proposal by the Securities and Exchange Commission to increase upper lending limits by margins of up to 100 percent for investors who borrow funds or stocks as a means to invest in the stock market.

In another move, the bank said it would permit four mutual fund companies to raise more money from overseas investors who wish to invest in Taiwan's stocks.

The bank also announced it would allow Sumitomo Life Insurance Co. of Japan to invest \$30 million in the stock market, the latest of a string of approvals in recent weeks of applications from foreign financial institutions that wish to buy Taiwan stocks.

Foreign financial institutions are allowed to invest directly in Taiwan's stock market under a liberalization program that began in late 1990. Since the end of August, the bank has approved \$240 million of

investments by five foreign financial institutions.

The benchmark weighted price index of the Taiwan Stock Exchange lost 120.87 points, or 3.48 percent, on Saturday to close at a 20-month low of 3,351.63. The index is 38 percent below its 1992 peak of around 5,400.

Shares in companies linked to the Hualon group, one of Taiwan's largest conglomerates, led the decline.

Oung Ta-ming, Hualon's chief, is expected to appear in Taipei District Court on Thursday for a hearing on Taiwan's largest stock scandal. Press reports have linked the recent series of defaults on the stock exchange to the arrest of Mr. Oung, one of the country's most powerful businessmen.

Lei Po-lung, a major market participant, was detained last week for alleged involvement in the defaults. He said he was responsible for the defaults, which occurred because the Hualon group asked him to buy stocks but then refused to pay for the transactions.

Two brokers on Saturday estimated the defaults had now reached almost 10 billion Taiwan dollars (\$400 million), up from 7 billion as of Sept. 19. (Bloomberg, Reuters)

Taipei Recasts Its GATT Bid

Agence France-Press

TAIPEI — Taiwan will accept being referred to as "Chinese Taipei" to aid its bid to join the General Agreement on Tariffs and Trade, Economics Minister Vincent Siew was reported as saying Sunday.

Mr. Siew said that some key GATT members who support Taiwan's bid to join the trade organization, including the United States and some European countries, had felt that the title used so far in the country's application, the "Customs Territory of Taiwan, Penghu, Kinmen and Matsu," was too long.

WORLD STOCKS IN REVIEW

Amsterdam

Amsterdam stocks eased slightly last week as volume returned to the levels seen before the European monetary crisis. The CBS all-share index closed at 198.3 on Friday, down 1.1 points on the week.

Volume fell to 19.2 billion guilders from 29.2 billion guilders the prior week. Financial stocks gained an average of 5 percent, aided by a cut in Dutch interest rates.

Analysts at Kemper & Co. said uncertainty on the foreign-exchange markets made stocks' direction hard to predict in the short term.

Frankfurt

German share prices slid last week, hurt by the turmoil in the European Monetary System and the narrow victory of the "yes" vote in the Sept. 20 French referendum on the Maastricht treaty.

The DAX index fell 75.9 points, or 5 percent from a week earlier, to close at 1,513.36 on Friday, near the year's low of 1,506.67, reached

Sept. 2. The Commerzbank index dropped 81 points, to 1,685.2.

Analysts said investors were concerned about the possibility of lower earnings in the automobile and chemical industries, as the strong Deutsche mark hurts exports.

In the auto sector, VW shed 28.10 DM on the week to close at 293 DM; Mercedes fell 75 DM to 435 DM; and BMW slid 58 DM to 483.50 DM. Porsche managed to gain 10 DM to 530 DM.

In chemicals, BASF fell 7.70 DM to 209.60 DM. Bayer dropped 18 DM to 260 DM, and Hoechst declined 16.70 DM to 237.30 DM.

Hong Kong

Share prices edged lower on the Hong Kong stock market, with the Hang Seng index dropping 3.16 points during the week to close at 5,686.16 on Friday.

Average daily volume rose to 1.814 billion Hong Kong dollars from 1.523 billion dollars in the prior week.

Analysts said the Sino-British

row over the funding of Hong Kong's new airport and trade frictions between China and the United States kept traders cautious.

London

Prices rose moderately, as profit-taking following the prior week's 200 point leap limited gains.

The Financial Times-Stock Exchange 100 share index closed Friday at 2,601, up 34 points, or 1.3 percent, on the week.

The narrow French approval of the Maastricht treaty had little effect on the market, and the cut in U.K. rates by the Bank of England prompted only a modest rise.

A handful of major companies in the car, mining and aerospace industries announced a total of around 6,500 job losses.

A big loser was British Aerospace, which lost 64 pence, or 33 percent, to 125 pence, after announcing a pre-tax loss of £129 million in the first half.

Milan

The weakness of the lira and the turbulence on the foreign-exchange markets took a big bite out of share prices last week.

The MIB index fell 30 points, or 4.06 percent, to close at 709 on Friday. Average daily volume fell to 35 million shares from 70 million the previous week.

Union rejection of the Italian government's austerity measures, which are aimed at trimming the budget deficit, also contributed to the depressed atmosphere on the Milan bourse, analysts said.

Agri-food stocks suffered after the group announced that prices for profits were down for the first six months of the year. Fiat fell 7.03 percent and IRI was down 5.47 percent.

Paris

Share prices lost ground on the Paris Bourse after France's narrow approval of the Maastricht treaty. The CAC-40 index fell 39.39 points during the week, closing at 1,843.55 on Friday.

Analysts said investors were discouraged by the narrow approval and subsequent attacks by speculators on the French franc, which canceled out the government's hints of a cut in interest rates.

The market was also hit by bouts of profit-taking, they said.

Singapore

Share prices ended marginally lower despite interest rate cuts by local banks.

The Straits Times industrial index fell 2.11 points, to 1,359.75. Volume rose 32 percent, to 196.49 million shares. The broader-based SES index rose slightly, gaining 0.19 point, to 360.98.

Tokyo

Share prices rose modestly in quiet trading during a holiday-shortened week, supported by the sharp appreciation of the yen against the dollar and mark.

The Nikkei average of 225 blue chips ended Friday at 18,394.76, up 227.96, or 1.25 percent, for the week. Average daily volume rose to 314.15 million shares from 277.6 million.

Financial stocks such as banks and securities firms fared well. Fuji Bank finished the week at 1,880 yen, up 110 yen. Daiwa Securities rose 10 yen, to 920 yen.

Export-oriented blue chip electricals led by Sony were hard hit by the sharp appreciation of the yen against the dollar. Sony ended Friday at 4,150 yen, down 130 yen, and Famic fell 320 yen, to 3,500 yen.

Zurich

Prices posted marginal gains in active trading on the Zurich stock market. The Swiss Performance Index gained 5.66 points, or 0.48 percent, to close at 1,163.29 on Friday.

Banks and other financial stocks were sought after by the Swiss central bank cut interest rates by one-half point. Credit Suisse gained 30 francs to 1,960, and Union de Banques Suisses rose 9 francs to 782.

BUSINESS BRIEFS

China's Coal Industry Faces Layoffs

BEIJING (UPI) — China is poised to make major structural reforms in its coal-mining industry, slashing its massive work force and freeing state-controlled prices, the official China Daily reported Sunday. Tens of thousands of coal miners will be laid off by the end of this year in a bid to trim costs in the struggling industry, the newspaper said. The move could trigger a wave of labor protests. "A China National Coal Corp. division chief said this year's planned layoff of 80,000 workers will be made as scheduled," the paper said. The enormous industry, an employer of more than 7 million workers across the country, has apparently decided to take drastic measures to cure its ills of chronic overstaffing and inefficiency.

Dan-Air Holds Talks With Virgin

LONDON (Reuters) — Davies & Newman Holdings PLC, owner of Dan-Air, the oldest independent British airline, said it was in talks with Virgin Atlantic to coordinate marketing and operations. Davies & Newman said the talks were integral to its planned refinancing but that there was no intention of a full merger. The company warned in May that disappointing bookings would delay a return to profit. It posted a loss of £35.4 million (\$60.5 million) in 1991. The statement confirms recent speculation that Dan-Air might seek an arrangement in which Virgin's U.S. trans-Atlantic passengers gain access to Dan-Air's scheduled European routes. Virgin's U.S. passengers now have to switch in London to competing airlines to complete their trip.

GBL Seeks Alternatives to ING Bid

BRUSSELS (Reuters) — The main shareholder in Banque Bruxelles Lambert SA said it was looking for alternatives to the takeover bid by Internationale Nederlanden Groep NV. "We don't want to give up the right to possibly make a takeover bid ourselves," Jean-Pierre de Launoy, vice president of the board of Groupe Bruxelles Lambert SA, was quoted as saying by the Libre Belgique newspaper. "It will not necessarily be GBL who will do it directly, but maybe some friends." He said ING's offer of 3,600 francs per share was too low and it was not an ideal partner as it had no large international network.

Boeing Union Says Firm Is Stalling

SEATTLE (Bloomberg) — With less than a week before the current contract ends, Boeing Co.'s largest union has accused the company of refusing to respond to its demands for general wage increases, annual bonuses and cost-of-living adjustments. Boeing is trying to take away existing benefits from the workers, said Connie Young, a spokeswoman for the union negotiating team. Ms. Young said the aerospace giant is attempting to weaken the union by proposing that management be permitted to transfer union stewards to new locations. Boeing has refused to comment on the negotiations.

Hong Kong Reclamation Contract

HONG KONG (AP) — A consortium of Hong Kong, Dutch and Italian companies has been awarded an \$21 million Hong Kong dollar (\$105 million) contract for land reclamation as part of Hong Kong's massive airport project, the government said.

The contract was awarded to the consortium of Universal Dockyard Ltd. of Hong Kong, D. Blankevoort International Dredging Co. of the Netherlands, and Dragomar SpA Joint Venture of Italy, the government said Saturday.

The contract involves the reclamation of 68 hectares (168 acres) of land and the construction of waterfront facilities, including a saltwater pumping station and a cargo loading area on Kowloon peninsula.

False Labeling by 3 Chinese Firms

BEIJING (Reuters) — China's Foreign Trade Ministry announced it would punish three local garment manufacturers for trying to evade U.S. customs quotas by falsely labeling export goods "made in Panama," the official China Daily said.

The Guangrong and Dongye garment factories of Guangdong province will be fined for exporting falsely labeled goods to the United States through a Hong Kong company in 1990-91. The Tianjin United Textiles Import & Export Co. of the port of Tianjin will also be fined for a similar deal in 1990, it said. The ministry will also confiscate all profits from the illegal deals, the newspaper reported Saturday.

All three cases were originally uncovered by U.S. customs inspectors and incurred a unilateral action by the U.S. to reduce its textile import quota for China," the newspaper said.

Greek Stocks Tumble On Interest-Rate Play

Reuters

ATHENS — Investors scrambling out of stocks to cash in on high interest rates have pushed Greek stocks sharply lower.

The general share index fell 7.03 percent last week. It dropped 2.46 percent on Friday, to 686.93, the first time since April 1990 that the index has been below 700.

Brokers said funds have been leaving stocks for interest-bearing instruments and the interbank market, where rates of 35 to 40 percent have been reaped since Sept. 18, when the Bank of Greece raised its overnight rate to 43.2 percent from 32.4 percent to aid the drachma. Barring unforeseen problems, such as a new round of strikes at banks, brokers said they expected the central bank to bring the overnight rate back down to 32.4 percent this week.

Traders were also watching for the new issue of Treasury bills, due sometime this week. Some said they expected the yield to be in line with recent issues of 20 to 21 percent, which would suggest the government felt pressure was off the drachma, leaving room for interest rates to ease and money to move back into stocks.

Kuwaiti Shares Face Pressure as Market Reopens

Reuters

KUWAIT — Investors worried about poor corporate earnings and a weakened economy may put pressure on share prices when Kuwait's stock exchange reopens Monday, more than two years after the Iraqi invasion forced its closure, economists say.

Traders will be able to buy or sell shares in 31 companies, including five non-Kuwaiti companies based in the Gulf region, when trading resumes in a two-and-a-half-hour session.

Economists said they doubted that volume would reach pre-invasion levels of about \$3.3 billion annually in the coming year, because of the relatively poor health of the economy, which is struggling to recover from the seven-month Iraqi occupation in 1990-91.

"I imagine that in the first few days people will try to test the situation," said Amer Tameemi, an economist at Kuwait Investment Projects Co., which invests in real estate abroad. "Perhaps there will be a limited supply of shares in the market. Most likely the demand also will not be that great, and therefore there will be some pressure on the prices to go downward."

He said his expectation was that the prices of Aug. 1, 1990 — the exchange's last trading day — would not be maintained.

Mr. Tameemi said the poor financial statements of many listed companies and the weak economy would weigh on share prices. The economy's strength has been sapped as the emirate has had to pay out \$60 billion to cover allied war costs and support its own people.

Although it has raised production of oil almost to its pre-invasion OPEC quota level, Kuwait will have to service debts such as a \$5.3 billion credit signed with banks in December to cope with Gulf War costs. Its budget deficit hit a record \$18.3 billion in fiscal 1991-92.

Mr. Tameemi said share prices in the banking, services and real estate sectors would be under pressure, while some individual companies with large market shares could rally. Likely gainers are Gulf Cable & Electrical Industries Co. and Mobile Telephone Systems Co., economists said. Gulf Cable has benefited from a dominant market share supplying electric cables to the government, and Mobile Telephone Systems profits from the popularity of pagers and cellular phones in Kuwait.

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